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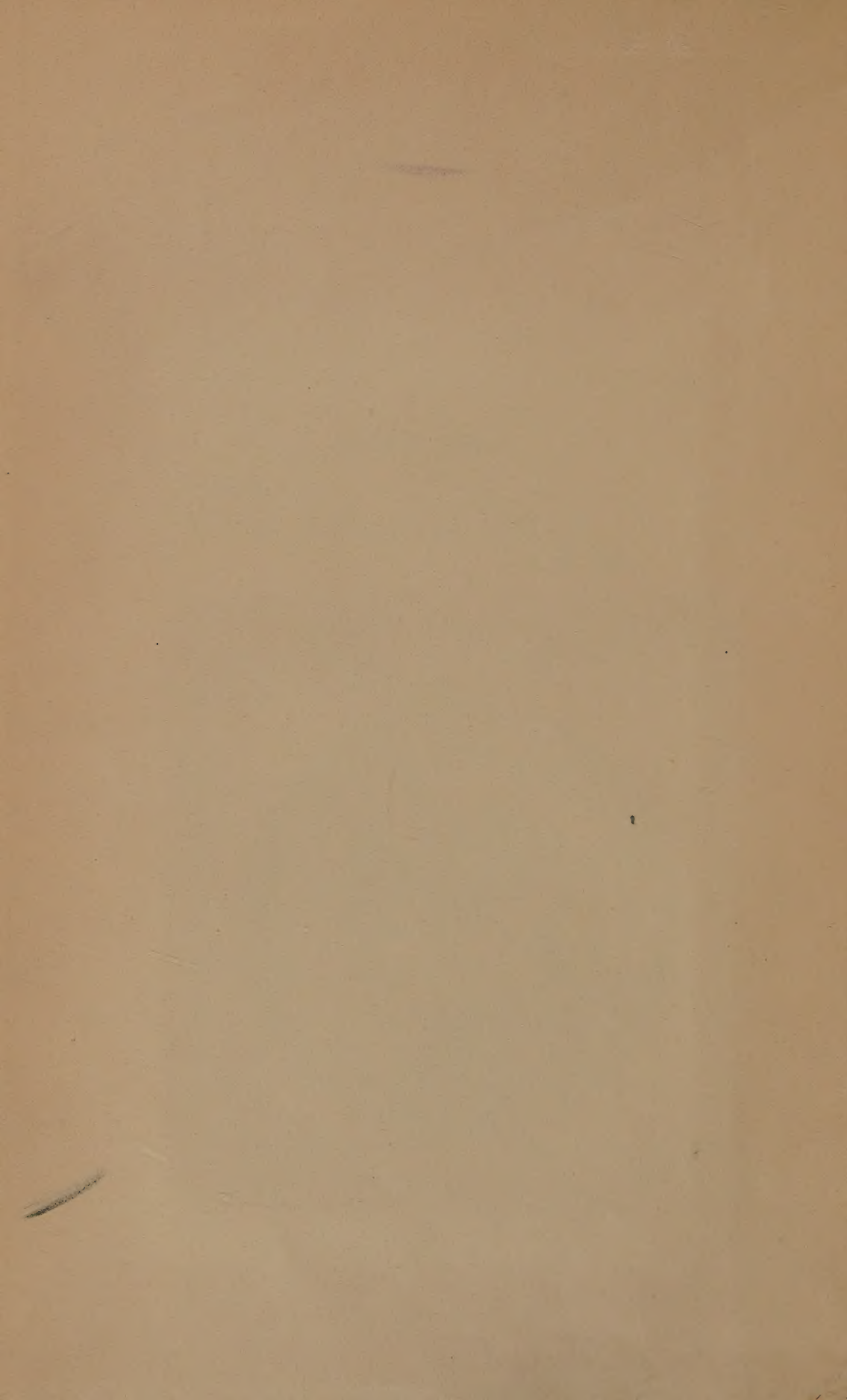


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SOCIAL INSURANCE UNIFIED

BY THE SAME AUTHOR

Insurance Against Unemployment
Workmen's Compensation in Great
Britain

Insurance by Industry Examined

SOCIAL INSURANCE UNIFIED

AND OTHER ESSAYS

BY

JOSEPH L. COHEN, M.A.

Member, Advisory Committee on Social Insurance
of the International Labour Office

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CONTENTS

	PAGE
PREFACE	9
I THE MEANING OF SOCIAL INSURANCE	11
II A CRITICISM OF THE BRITISH SCHEMES OF SOCIAL INSURANCE	26
III INSURANCE BY INDUSTRY	49
IV SOCIAL INSURANCE UNIFIED	65
V MOTHERS' PENSIONS	102
VI MATERNITY INSURANCE	125
VII SOCIAL INSURANCE AND THE FAMILY	136

APPENDICES

I PROPOSED SCHEMES OF SOCIAL INSURANCE	141
II HEALTH INSURANCE OF SCHOOL CHILDREN	151
BIBLIOGRAPHY	153

PREFACE

IN a paper on "The Future of Unemployment Insurance" read before a meeting of the Economics Section of the British Association held in Hull in September, 1922, the author examined briefly the current criticisms of the British Scheme of Unemployment Insurance and paid particular attention to the proposal then so popular of insurance by industry as the best means of overcoming the deficiencies attacked. The administrative difficulties involved in giving that idea concrete embodiment and the general case against it were outlined. It was then suggested that future progress lay rather along the lines of improving and strengthening the existing State schemes and of merging them into a Unified System of State Social Insurance. The first part of the argument was amplified and developed into a brief volume, *Insurance by Industry Examined*, which was published last year. It may be permissible to note that this proposal has now lost all but a few of its former adherents. On the other hand, the suggested unification of social insurance has now become a public question, and in the central and pivotal essay of this volume an attempt is made to examine the general case for it, the difficulties involved and what vested interests, what lions in the path are to be confronted. Two possible schemes are outlined and a Royal Commission to investigate the problems is advocated. In order that this volume should be self-contained it was thought desirable to analyse briefly some of the different alternatives to a State Unified System of Social Insurance and a very brief analysis of the concept of social insurance and of the existing schemes has been attempted.

The essays have been written with the knowledge that these questions are to be discussed in Parliament in the near future. This pressure has compelled the author to accelerate publication.

The recent debate of the House of Commons on Mothers' Pensions has induced him to revise and publish an essay on the subject which first appeared some two years ago. It is also thought to be a suitable moment for the republication of an essay on Maternity Insurance with special reference to the Convention adopted on this subject in Washington at the first Conference convened by the International Labour Organization. These brief and somewhat dogmatic essays are merely introductory studies on the subjects.

The author is again indebted to Prof. A. C. Pigou for reading his manuscript, for valued criticisms and for encouragement to devote himself to a field which even to-day is still too much neglected by the student. He is grateful also to his colleagues of the Advisory Committee on Social Insurance of the International Labour Office and more especially to its Chairman, Prof. Edmund Fuster, and to Messieurs Tixier and Pribram. For help in the task of revising proofs and for detailed criticism the author is under deep obligation to Mrs. Nora Besso, to Lady Hall and to friends in the Civil Service.

FITZWILLIAM HALL,
CAMBRIDGE,
April, 1924.

Social Insurance Unified

I

THE MEANING OF SOCIAL INSURANCE

INTRODUCTION

THE subject of social insurance in Great Britain is again in the foreground of the programmes of all the political parties. They are agreed that our present schemes of insurance must be extended. They are urging that the different branches of social insurance need to be unified. Let us begin with a quotation from the ex-Premier: Mr. Baldwin's address to his constituents on the eve of the November election of 1923 stated that :

"The solution of the unemployment problem is the key to every necessary social reform. But I should like to repeat my conviction that we should aim at the reorganization of our various schemes of insurance against old age, ill-health and unemployment. More particularly should we devote our attention to investigating the possibilities of getting rid of the inconsistencies and the discouragement of thrift at present associated with the working of the Old Age Pensions Act. The encouragement of thrift and independence must be the underlying principle of all our social reforms."¹

On October 30, 1923, he declared :

"In my view the time is coming when we ought to aim at linking up, guided by the experience of past years, all these benefits of old age pensions and national health and unemployment insurance, to see whether it is not possible to devise a more compre-

¹ *The Times*, Monday, November 19, 1923.

hensive, a more watertight, a more beneficial scheme for the people of this country than exists to-day."

The Labour Party's programme promises *inter alia* some scheme of pensions for widows and orphans :

" Labour policy is directed to the creation of a humane and civilized society. When Labour rules it will take care that little children shall not needlessly die ; it will give to every child equality of opportunity in education ; it will make generous provision for the aged people, the widowed mothers, the sick and disabled citizens."

And in another clause :

" The Labour Party has urged the immediate adoption of national schemes of productive work, with adequate maintenance for those who cannot obtain employment to earn a livelihood for themselves and their families."¹

In a similar vein the Liberal Party, which has the Old Age Pensions Acts and the National Insurance Acts to its credit, declares that :

" The Liberal Party proposes thoroughly to remodel the Insurance Acts with a view to providing benefits sufficient to allow a reasonable subsistence to a man and his family without aid from Poor Law relief. The Poor Law authorities should not have to bear a burden which ought to be regarded, not as a local, but as a national charge."²

In these expressions of policy there is no difference of opinion as to the ability or the power of the State to influence social phenomena through the device of social insurance. They indicate a belief in its desirability and in the need for its extended use.

Assuming that the case against the existing chaotic, unco-ordinated schemes of social insurance is convincing, we have to inquire which system, if any, may be desirable. Lord Askwith has urged the proposal known as insurance by industry in the following terms :

" I want the principle established, not for a short time, but for

¹ The Labour Party's " Appeal to the Nation " before the recent General Election ; signed by Mr. J. Ramsay Macdonald. *The Times*, Monday, November 19, 1923.

² *The Times*, November 20, 1923.

a continued time, that employers and employed should deal with this question themselves. And if they can deal with the question of unemployment in industry, there is no reason why they should not go on to deal with such questions as old age, and sickness, and other things which affect the people who are in the industry.”¹

The case against insurance by industry has not prevented another group from advocating “industrial maintenance” which involves many of the same difficulties, although it may be necessary as a provisional measure in the special case of the dockers. The former proposal, an alternative to a State system of social insurance, must be examined before the case for an extension of a State system is discussed.²

Parliament has of late been kept very busy with questions of social insurance. A Royal Commission on Health Insurance is now being set up, the committee of inquiry on the payment of doctors having already presented its report. The Unemployment Insurance Scheme is in the process of amendment. The Government has promised to amend the Old Age Pensions Acts with a view to removing to some extent the penalty on thrift embodied in existing provisions. A scheme of Mothers’ Pensions is to be put into force as soon as the money can be found.

Moreover, both the new Industrial Assurances Act and the Workmen’s Compensation Act have begun their existence without giving satisfaction to anyone. They are regarded at best as necessary makeshifts.

More important, however, is the new situation which has arisen out of the necessity of revising the Poor Law. Neither the Minority Report of the Poor Laws Commission of 1909 nor the Maclean Report of 1918 meets the new conditions. An extended and revised scheme of social insurance is the most effective way of dealing with destitution. A revised poor law scheme to-day might merely obstruct the proper development of social insurance and the creation of suitable bodies for dealing with each of the causes producing distress.³

¹ Evidence before the Committee of Enquiry into the Employment Exchanges.

² See Essay III.

³ Interest in this subject has been evinced in the propagandist activity of Mr. T. T. Broad, who has been supported by the Rt. Hon. A. C. McCurdy and Sir J. A. R. Marriott, M.P., who is to

It is instructive to note that pretty much the same problems in social insurance with which we have to deal are common also to other countries. This is the case in Austria and France, where they have already resulted in certain enactments and proposals, while public sentiment in other countries too is making them ready for action. This could not be better illustrated than by the fact that the Governing Body of the International Labour Office has decided to place on its agenda for its Conference next year the following two questions: "An examination and discussion of a Report on the different branches of Social Insurance as a unified subject, and of the new tendencies and the many administrative problems which are now pressing for solution amongst many nations." The other question is that of industrial accident insurance. The latter is to be dealt with in the hope of arriving at a convention or recommendation on the subject. These discussions will register a distinct step forward in the recognition of Social Insurance as *a unified subject*. They might even help to produce a general text of recommendations, analogous to those on "Factory Inspection." In any case it is interesting to note how even in relation to this very complicated subject, the I.L.O. is going about its task of helping to establish a minimum of desirable social conditions in each country on condition that other countries assume a similar responsibility, in conformity with the Labour Clauses of the Versailles Treaty.

THE PERVASION OF FEAR

The constant fear of the working man of emergencies which might befall him or his dependants is one of the most terrible features of our modern industrial life. At any moment, and for reasons over which he has no control, he

introduce a bill on the subject to Parliament in May of this year. Unfortunately, little indication of the machinery proposed for the administration of the scheme has as yet been vouchsafed to us, so that nothing is offered for criticism but a mass of figures. See pp. 144-150 below. Lord Henry Bentinck, M.P., too, has advocated a scheme. Of greater interest perhaps is the more fully worked out proposal of Sir William Beveridge in his recent pamphlet, *Insurance for All and Everything*. This is discussed later.

may become unemployed and unable to provide for himself and his children. The cost of burial of a child may involve a man in serious debt from which he will scarcely recover after months or years of self-denial and saving. An industrial accident or occupational disease, the risk of which he is obliged to run as part of his wages contract, may not merely inflict physical pain but perhaps deprive his home of the necessities of existence. Illness—an occasion for rest, recuperation and even indulgence for other classes—is to the worker a danger to his standard of living. Even the birth of a child has become a hardship to the working classes in our society, frequently leading to illnesses of the mother and the infant which could be prevented under other circumstances. Old age is a state from which many a workman prays to be delivered by a premature death. Even worse is the condition of the mother and orphans whose breadwinner has died. In this case, and a very common one it is in our society, the mother may go to work herself to provide for her home, or she may go to the "Guardians." In the former case her children grow up without maternal care, or indeed, care of any sort, and too frequently drift towards juvenile delinquency, in the latter all are given inadequate, uncertain help by the Guardians, and live in an atmosphere of charity.

Instability, insecurity of pecuniary position and the constant presence of fear in the lives of the workers and their families constitute the greatest single evil in our society to-day. What, indeed, are the risks of capital compared with the overwhelming feeling of insecurity which haunts the worker's child from birth to grave? What risks of capital can equal in their pernicious effects the extremities of personal want which embitter the life of the labourer?

Nor is the worker any longer unconscious of his state. Only one utterly ignorant of the modern workman can write "Workers are dull, sodden, fatalistic. Why talk about what they should fear? They tread accustomed paths and are indifferent toward accustomed hazards." The education of the modern workman, the formal training of school and the wider influences of factory, trade union, co-operative society and workers' educational institutions and his leaders, help him to appreciate the full significance of these evils and the risks he runs.

It is common to regard the precarious life of the worker, the fluctuation of his income, the loss of his savings, as part of the permanent order of society. And indeed most of these problems are not really new. Unemployment, sickness, accident, old age, have produced human suffering throughout the ages, but their hardship seems to have been intensified by the loss of comparative certainty and the fixity of conditions which life in the slave state and feudal society provided. Then roughly speaking, only the occasional harshness of nature or the enmity of an alien enemy or periods of great economic change produced want. The machine system, factory conditions and town life are the products of the nineteenth century, and these have made economic insecurity a regular instead of an exceptional feature in the workman's life. Certainly, the greater determination shown by modern society to abolish poverty makes these problems seem more acute to-day than ever before. The general and progressive rise in the standard of living of the working classes, their demand for some measure of comfort and even for certain luxuries make the continued existence of these problems an ever present menace to social advancement. The problem which confronts the worker is how to obtain an ever improving lot which at the same time guarantees him security against the main emergencies in his life. Nor can he enjoy the sense of security if this provision be made only for the wage-earner himself. The family needs protection and not the individual workman alone. The effect on the workman's standard of living is clearly the same whether the emergency occurs to him or to his wife or to a child. Illness to his wife or a street accident to a child will involve a pecuniary strain in the same way as his own incapacity for work. Nor does it matter very much to the workman *why* he is suffering from unemployment, whether it be due to one cause or to another. And again, the financial suffering, the exhaustion of saving and the terror of destitution confront him whether the immediate emergency is an industrial accident or invalidity or illness.

✓ It is a basic assumption of advocates of social insurance measures that the normal earnings of the majority of workmen are, as a rule, not sufficient to provide more than a minimum standard of health and efficiency for themselves and their families, and that therefore they have, as a rule,

no reserve of savings to fall back upon.¹ Insecurity manifests itself in the accession of needs or in the reduction of the workman's pecuniary income. Normal conditions in economic society prevent the working man from putting aside any large sums for a rainy day, with the result that any special call on his income tends to lower his general standard of living, and even to inflict cruel want on his family, forcing them in many cases into debt and frequently into destitution. Wages may be sufficient to enable a workman to provide for himself and his dependants when things are going well, but he is unable to make provision for the future, and he is generally reduced to destitution when contingencies interrupt his work or increase his requirements.

Now though these emergencies have been regarded hitherto as unfortunate but as probably unpreventable, public sentiment has decreed that our society must endeavour to establish a national minimum below which our population is not allowed to fall. This has resulted in the development in one industry after another of the minimum wage. And naturally enough this legislation has been applied to those industries in which wages were lowest and where organization amongst workers was either not known or very weak. Unfortunately, this legislation is in effect one-sided. It applies only to those at work. But what is to be done about those who are unable to work or who, being able, cannot find work? What of their widows and orphans when they die? How apply the conception of a national minimum to them?

How are we to embody this conception in legislative enactment, and how give it administrative form? In other words, how ensure a minimum standard of living below which none are permitted to fall during days of good health or bad health, during employment or unemployment?

THE METHOD OF SOCIAL INSURANCE

It will be contended in the ensuing argument that a complete system of social insurance, a coherent and adequate

¹ Economic welfare would be increased if proper provision against these emergencies were made voluntarily by way of insurance by workpeople earning high wages or even by members of the professional classes. But social insurance is usually advocated in practice on the ground that the normal earnings of the majority of workpeople are low.

system covering the whole field, is the most effective device we know for giving effect to the desire for economic security by labour, and that it is an essential supplement to the minimum wage if it is desired to establish a national minimum.

It is clear that this fear in the life of the workman, an abiding, overwhelming fear, is an evil of which it is desirable to be rid. Efforts have been made by workmen themselves to provide against emergencies either by saving or by trade union or friendly society insurance, and society again has made tentative efforts in this direction through private or public charity. Workmen were eager to be insured against disturbing episodes in their lives and above all were anxious to be assured of a decent burial. In recent years, however, increasing reliance has been placed in many countries on the device of social insurance as the best means of meeting social emergencies, and indeed it constitutes the best known buffer against them.

In order that a given risk shall be insurable it must satisfy four conditions :

- (1) There must be a clearly specified risk.
- (2) Large numbers must be subject to it.
- (3) It must be capable of being calculated with some degree of certainty.
- (4) The risk must constitute a menace against which those subject to it desire to provide.

Social insurance is that part of the total field of insurance in which the risks or hazards covered result from the inability of the workman either to make a wage contract of a kind which will enable him to maintain a satisfactory standard of living for himself and his family or to carry through his part of the contract owing to physical incapacity.

Let us analyse the main contingencies in the life of the workman causing economic stress which are the result of decreased earning or increased need or both operating together.

Exigency results from :

A. The temporary incapacity of the workman or of his wife for work, or owing to the temporary lack of a demand for his or her labour in the following cases :

- (i) industrial accident.
- (ii) industrial disease.

(iii) non-industrial accident.

(iv) ill-health.

(v) maternity.

(vi) unemployment.

B. The permanent impairment of the workman's ability to work and to earn, owing to total or partial incapacity.

(vii) invalidity or disablement.

(viii) old age.

(ix) blindness.¹

C. The death of the breadwinner, involving financial loss.

(x) burial.

(xi) unprovided widowhood.

(xii) unprovided orphanhood.

All these are risks which satisfy the four conditions of an insurable risk.

Social insurance may be defined as an agreement, which is *legally enforceable*, to pay a certain sum of money, or goods and services in kind, as compensation against the loss resulting from certain given emergencies which lead to a diminished capacity to earn, or to an increase of expenditure. It is being applied to-day to each of these twelve emergencies. Its aim is thus seen to be to enable the insured man and his family to maintain even during periods of economic stress and strain a given standard of living. It meets the problem of the economic insecurity of the labourer's family. Its function is not to lessen inequalities or hazards. Its essence is to substitute for an uncertain but heavy loss to some the loss of a smaller certain sum to all who are insured. It involves the device of distribution of risks amongst all those subject to it.

It is supremely important to have a satisfactory definition of social insurance. Consciously or unconsciously, it will affect our thinking and may incline us towards or away from

¹ The Blind Persons Act of 1920 provides that blind persons who have reached the age of fifty shall be granted pensions at the same rates and subject to the same general conditions as those applicable in respect of Old Age Pensions for persons of seventy years of age. A blind person in order to be entitled to a pension must have resided in the United Kingdom for not less than twelve years since attaining the age of thirty, and must be so blind as to be unable to perform work for which eyesight is essential. Of course, blindness is one of a number of forms of invalidity. But it merits special mention because it has received exceptional treatment by Parliament.

proposed policies. Let us therefore examine the questions which should decide us in our choice of a definition.

Fortunately, there is no difference of opinion as to the object of social insurance. It is to provide security against a group of given contingencies. These contingencies result from inability to earn a livelihood for himself and his family, from special increased needs which a workman at work cannot meet from his normal wages, and from the inability to find work. But, and this is very important in the discussion of the problem, this security can be provided by other means than the comparatively recent devices of insurance and pensions.

Saving is a form of provision in advance against all undesired emergencies in the workman's life. The workman does not allocate different sums for different objects. He endeavours to keep a lump sum to meet any contingency. It is a form of provision against destitution. The chief objection to this device arises from the fact that workmen are not, as a rule, able or willing to save enough, because their earnings are insufficient to enable them to do so without the lowering of their conventional standard of living.

Public relief is at the other extreme. The workman only in the most indirect way contributes towards it. He does not, as a rule, receive relief unless he is already destitute. What he receives is conditional on his passing certain tests as to fitness of character, and what he is to receive, if anything, is uncertain, and liable to change from week to week or month to month. The degree of destitution and the amount of need are perhaps the dominant considerations.

Now in between these two devices is that of insurance, which has been growing, slowly for the first three-quarters of the nineteenth century, rapidly since the end of that period until the War, and which now is undergoing a development so rapid as to be revolutionary. What are its distinguishing features, i.e. what distinguishes it from the other two devices for providing security? It differs from both in being a *definite right to a certain sum*. Prescribed benefits are granted of right to all who satisfy the statutory qualifications. It is certain. It is not contingent on good behaviour. It is legally enforceable. It does not increase with need. Now in order that these conditions may be fulfilled provision must be made

in advance guaranteeing that the sums will be available for the payment of benefits. Thus is required foresight. This does not, however, necessarily imply the building up of reserves. It does necessitate the accumulation of means, either by way of contribution or taxation, and some authority empowered to distribute it for the payment of benefits as they fall due. These characteristics, the distinguishing characteristics, are common to all forms of social insurance. They are common to insurance against industrial accidents, generally provided for entirely by the employer, to insurance against burial expenses, very frequently paid for entirely by the workman, to old age pensions, the cost of which is generally borne by the State, to unemployment insurance, frequently contributed to in more or less equal shares by employers, workmen and the State. These characteristics are present whether the insurance is provided by a private company, by a trade union or by a Government Fund, whether it is compulsory or voluntary, whether it is for a large or small amount, and whether workmen do or do not share in the administration. These other considerations are, of course, important, but they are not of the essence of insurance. Let us stress one of these considerations. It is sometimes assumed that the workman will in all cases receive more through a system of insurance than through a method of relief. This is not the case. In the United States widows and orphans may obtain larger sums in relief from public charities than they obtain under a pension system. Similarly in this country, workmen with large families, who are in distress, will frequently receive more from the poor law authorities than they do from their insurance scheme. This has occurred in certain areas in relation to unemployment. Similarly, whether the workman contributes towards the insurance fund directly or indirectly is only of secondary importance, and should not affect our definition. Whether the total costs are found from the national exchequer or only a part is not and should not be regarded as the distinguishing consideration.

Perhaps in view of the different attitude taken by certain continental authorities, and in view of the discussion on the desirability of a Unified System of Social Insurance, we had better justify this definition further.

To-day continental writers draw a distinction between insurance and "assistance." Health Insurance would come under the former, and Old Age Pensions under the latter, category. The implications of the word "assistance" are so distasteful as to make all pension proposals as such objectionable, in the same way as the word "dole" was used in England to discredit unemployment insurance, and therefore the question whether a given emergency should be provided for in one way or in another is prejudged.

But let us note the difficulties, indeed the absurdities, into which the continental view leads us.¹

What difference does it make to the workman whether he obtains benefits on account of an industrial accident or disease from the employer, and on account of old age from the State? Why should the former be called insurance and be welcomed, and the latter "assistance," a pension, and therefore be condemned? And yet it is never suggested that accident insurance is not a branch of social insurance.

From the point of view of our study are we to include a form of contributory old age pension under social insurance and to exclude straight pensions? Are pensions for widows and orphans, in some cases with certain contributory aspects, to be included or excluded? We know that in the same country there may be changes from one form to another. A contributory scheme may be converted into a non-contributory scheme. Later, it is suggested that Old Age Pensions, now non-contributory, shall become part of a contributory unified scheme. These difficulties are not met by those who wish to distinguish between insurance and assistance. Indeed their practice is better than their precept. They do actually include their discussion of pensions under social insurance, however strong may be their theoretical objections to it. And we shall see as we proceed with this study that the very obvious features which these devices have in common only hide an even profounder likeness.

Besides, if we include non-contributory old age pensions as public assistance, how are they distinguished from the Poor Law? Shall we call pension schemes public assistance and Poor Law public relief? But this is against common usage. It seems, therefore, best to include pensions with

¹ It is held also, less consciously perhaps, by some of the very few English writers who occasionally wander into this field.

insurance as is provided for in the definition already given.

Behind these definitions there emerges a real difference of view, of conviction, even of feeling. Objection is taken to pensions. It is suggested that it relieves the individual of responsibility and enervates him, and establishes the wrong notion of making him look to the State for help instead of relying on himself. The method of insurance whereby the individual contributes, albeit compulsorily, albeit with subsidies from the employer and the State, albeit in a fund which does not differentiate the risks and in which therefore no attempt is made to relate the workman's contribution either to the risk or to the benefit, does not, it is held, have these effects.

The ready answer to the argument is to compare it with the facts. Have old age pensions in Great Britain been more demoralizing than, say, Health Insurance? Has either lessened individual responsibility or enervated the workers? *A priori* reasoning in problems of social legislation is apt to be misleading unless tested and revised in the light of experience.

The view developed here has been supported by a distinguished French deputy, M. Edouard Vaillant,¹ who writes of social insurance that "it differs from other forms of insurance in that the proletarian, the worker who is the object in view, is insured not by a personal contribution but by society, which gives him rights and guarantees them in the prevention, relief and compensation against loss arising out of social risks." The right to social insurance, like that to education, is conferred by society on the individual.

Social insurance, it should be noted, does not cover merely risks, as we ordinarily understand the term. Death is not a risk; it is a certainty. Maternity is not a risk in the sense that it is something to be avoided (even though we might wish to see the birthrate reduced amongst certain sections of the population). It is essential if the State is to continue. But, like the emergencies to be eliminated, it results in a period of stress and strain in the worker's family which must be provided for. Social insurance is a device for providing against all stresses which occur either through diminished income or increased need.

Advocates as well as critics have frequently mistaken the

¹ It is supported by the authors of *Remedies for Unemployment*, published by the International Labour Office.

main and characteristic function of social insurance. It does not aim primarily at increasing the magnitude of the insured person's income, although in the case of those whose experience is less favourable than the "expectation" or the average, it will have that effect.¹ Nor is it aimed especially even at steadiness, though it does steady the incomes of those insured persons who happen to experience the event insured against. Its main achievement is to increase the *certainty* of the insured person's income.

It is clear that in practice social insurance has not always been given the sharp outline here attempted. But in some country or another these different risks have actually been provided against through the device of insurance. In Switzerland not only are industrial accidents covered, but also medical benefits to school children and non-industrial accidents. Most states of America provide pensions for widows and orphans. In Great Britain pensions for the blind are provided. The other risks are more generally covered by such schemes.

Now it is sometimes said that these "Schemes of social insurance"² are advocated on the ground that it will pay workmen, even more than property owners, to have their property insured too, their property being, of course, their health and capacity to earn a livelihood." But it is clear that the use of the term property in this connection does not include belongings. There will be strong objection to the needless extension of the term social insurance to cover fire insurance of the working man's belongings as has been sometimes advocated.

In Germany, France, New Zealand and Switzerland, provision is made to insure the personal belongings of working men in Council Fire Insurance Funds. In many of the cantons of Switzerland fire insurance of houses and of their furniture is obligatory and is administered by the Government, the premium being collected as part of the taxes. But, however desirable this development may be regarded in

¹ It will have this effect when a State subsidy is given, as in the case of unemployment and health insurance.

² It is to be regretted that Sir. J. A. R. Marriott, M.P., Mr. T. T. Broad and Rt. Hon. A. C. McCurdy use the expression an "all in" insurance scheme for the same purpose. The older expression is certainly not improved upon, and it has besides the advantage of being in international use.

itself, it seems both inconvenient and undesirable to include it in our conception and scheme of social insurance.

Until very recently "social insurance" was better known as "working men's insurance" or "labour insurance." But the term social has gradually come into use in recognition of the fact that even outside of the wage-earning class there are certain elements of the population who need protection and who are included under the protective folds of this legislation. It is restricted in use to those contingencies which directly affect the livelihood of the workman's family as contrasted with those affecting any property which he might possess.

Now, although we have drawn distinctions between social insurance measures and "relief" measures it cannot be denied that they have also certain features in common. They apply roughly to the same kind of people, those whose annual income is below a certain amount. But insurance, it should be noted, may cover certain people, the better paid artisans, and the small shopkeeper class, who hardly ever have recourse to the rates. They both provide subsidies to the most needy sections of society. The rates are levied on householders for the relief of the destitute. Social insurance provides as a rule that the State and employers contribute in aid of workpeople, whilst even apart from this, premiums are not fully adjusted to risks as between different trades and between workmen in the same trades. In the case of Old Age Pensions, i.e. where the workers make no contribution, there is, perhaps, some justification for the view that it is really organized public charity.¹ But it is contended that when the means limit is abolished (which is logically the right thing to be done), and when beneficiaries are deemed to receive the Pension as a right this stigma will be removed. Both in the case of Old Age Pensions and the uncovenanted benefits under the unemployment insurance scheme Poor Law features were embodied. The Government has now promised to abolish these undesirable features.

¹ It explains why even to-day some old people object to the old age pension as "pauperizing," a feeling which is absent when they themselves make a contribution, however small.

II

A CRITICISM OF THE BRITISH SCHEMES ¹

VERY few people realize what colossal sums are already being spent on all forms of social insurance in this country annually. Let us briefly note them :

ESTIMATED AMOUNTS SPENT IN 1922	
Old Age Pensions	£22,500,000
Health, Maternity and Disablement Insurance	29,000,000
² Unemployment Insurance	60,000,000
Workmen's Compensation	12,000,000
Burial Insurance	35,000,000
	<hr/>
	£158,500,000

To this sum should be added the insurance funds organized by or for the workers through friendly societies, collecting societies and the benefit section of the trade unions. This amounts to £57,000,000 a year.

Another large sum in pension schemes, most of which goes to the working classes, is provided by the Treasury. War pensions cost £72,000,000 ³ a year, whilst the Service Pensions, the Civil Service and the Royal Irish Constabulary, which is an Exchequer charge, amount to £20,000,000.

In any estimate of the costs of meeting the various emergencies in the life of the workman's family we should have to include three other items, the amount raised by rates to

¹ No attempt is made in this essay to state what good effects have resulted from the existing British schemes.

² It should be noted, however, that this is somewhere near three times the amount that would be spent at the present rate of benefits in a year of average unemployment.

³ In November, 1923, the Ministry of Pensions reported that the total expenditure for the year ending March 31, 1923, was approximately 76½ millions as compared with the estimated expenditure of 70 millions for the present financial year. This constitutes, of course, a dwindling liability.

meet Poor Law expenses, the aggregate savings of the workers themselves, and the amount derived from charity.

In 1922-3 the Poor Law expenses amounted to over £38,000,000.¹ The aggregate investments in savings banks, Post Office, co-operative societies and building societies amounted to £131,000,000. This heavy charge is borne by the working classes almost entirely as a form of provision for times of need, a basis for independence, and not a form of property which can be handed down from father to son.

PROVIDENT FUNDS.²

I Social Insurance	£158,500,000
II Voluntary Insurance through trade unions, friendly societies, collecting societies	57,000,000
III Savings banks, building societies, etc.	131,000,000
IV Poor Law	38,000,000
V War, Army and Civil Service Pensions	92,000,000
	<hr/>
	£476,500,000

To these sums should be added a part of the sums provided annually by charitable institutions. The total would then be not far short of £500,000,000 per annum. Year after year the sums devoted to these purposes have increased. About one-sixth or one-seventh of the total national income is now devoted to the financing of emergencies in the life of the families of the working class.³

¹ There has been a very large increase in the amount spent on Poor Law relief in recent years as is shown by the following figures :

Expenditure on Poor Law Relief, including administrative charges (excluding maintenance of lunatics in county borough asylums).

1898	£5,117,000
1914	11,720,000
1920	17,125,000
1921	22,833,000
1922	37,000,000
1923	38,100,000

² Items II, III and V are taken from a speech by the Rt. Hon. Philip Snowden, M.P., Chancellor of the Exchequer, *Parliamentary Debates*, Vol. 169, No. 16, Col. 1892.

³ Three qualifications are necessary to the above statement. A portion of Item II is already included in Item I, and part of it includes superannuation pensions, which are really deferred payments. Similarly, pensions of railway workers and others might be added. Some portion of Items III and V go to the "middle" classes rather than to the "working" classes.

EXISTING SCHEMES OF SOCIAL INSURANCE WORKMEN'S COMPENSATION

The present system of Workmen's Compensation provides protective legislation against industrial accidents and diseases which may occur to some 15,000,000 workpeople. It is a device for providing systematic compensation to workmen for losses arising from industrial accidents. The Act of 1906 applies to workpeople in all trades who suffer "personal injury by accident arising out of and in the course of the employment," or in consequence of one of the industrial diseases brought specifically under the Act. Employers are held to be responsible for these accidents, because the employees are not in a position to bear their burden unaided. In theory the employer is regarded as accountable for the total costs of an accident. In practice, however, it is doubtful whether much more than a third of the financial burden resulting from industrial accidents is shifted on to his shoulders, i.e. the benefit obtained by the workman is equal only to about one-third of the loss which he sustains. The other two-thirds are not provided for by way of insurance at all. But employers are naturally eager to compound for their uncertain responsibility for a fixed definite sum. As a rule they therefore insure against it with some private insurance company. Sixty-five Joint Stock Insurance Companies and some fifty Mutual Indemnity Associations insure employers against the risks resulting from this responsibility. Some 250,000 employers are self-insurers, i.e. they fail to insure with a company. If the employer is a man of small means the intended beneficiaries may get nothing at all.

The recently revised scale of benefits is below that recommended by the Holman Gregory Committee. They proposed that in fatal cases and total dependency the maximum claim for compensation should be £800. In cases of total incapacity it was recommended that workmen should receive $66\frac{2}{3}$ per cent. of the average weekly earnings up to a maximum of £3. In cases of partial incapacity it was recommended that the payment should be two-thirds of the difference between the average weekly earnings before the accident and the average amount the workman would be able to earn after the accident.

The 1923 Act grants a maximum benefit in case of death

of £600, and other benefits too have been granted at a rate below that proposed by the inter-departmental committee.

What are the chief objections to the existing scheme? Proprietary insurance companies are in competition with one another for this form of business, with the result that administrative expenses and profits have for years been about 50 per cent. For the future the insurance companies have given an undertaking that they will pay 60 per cent. of the premiums in the form of benefits, retaining only 40 per cent. as charges (after 1926, 37½ per cent.). Litigation is still comparatively common before the workman obtains his rights, and payments are frequently tardy. Moreover, the insurance companies generally compound their liability for a lump sum, because they have not the machinery necessary for making weekly payments. This means in many cases that workmen soon dissipate their benefits. Frequently in the case of small employers no insurance policy has been taken against liability in respect of industrial accidents, so that the workman or the dependants may receive little or no compensation. There are some 250,000 employers who have not insured. Industrial diseases arising as a result of the employment, but which may occur also apart from it, are not compensated. Most serious of all is the neglect of proper preventive measures and the scanty attention paid to the rehabilitation of injured workpeople. No understanding of the discontent of the working class with the existing compensation system is possible unless it is realized that about two-thirds ¹ of the total money loss resulting from accidents, in addition, of course, to the pain, is still borne by injured workmen.²

OLD AGE PENSIONS

The first Old Age Pensions Act was passed in 1908. All persons of seventy years of age who have been British subjects for at least ten years, or if Natural British subjects

¹ In cases of fatal accidents and of permanent disability the amount of compensation allowed is generally much less than one-third of the present value of the workman's expected earnings for life.

² Cf. the Author's *Workmen's Compensation in Great Britain* (p. 191).

have resided in the United Kingdom for a period of not less than twelve years since attaining the age of fifty, are entitled to-day to a pension if their incomes do not exceed £49 17s. 6d. per annum. The applicant for a pension must apply at the local post office for a "claim to pension" form. If his claim is allowed he will claim his weekly pension at the same place, which may amount to a maximum of 10s. The country is divided into districts and each one has a Pension Committee and a Pension Officer. The Pension Committee, on the receipt of the report of the Pension Officer who investigates the claim, decides as to its validity and the rate of pension. The total net cost of the work performed by the 1,908 Old Age Pension Committees and Sub-committees in Great Britain, by the Post Office and by the Customs and Excise Department in connection with the Old Age Pensions Acts, was estimated for the year 1922-3 at £470,000. This constitutes an administrative expense of 3·5.

The main criticisms directed against this scheme are three : The provisions which are calculated to discourage thrift are very unpopular ; if an aged person is receiving some support from relatives or if he has some independent income he may be disqualified from the receipt of any pension. It is held by many that the age limit is too high and that the benefit is too low.¹ Thirdly, it is felt that this scheme ought to be linked up with the invalidity or disablement benefit provided under the Health Insurance Scheme.

¹ THE COST OF OLD AGE PENSIONS UNDER VARYING CONDITIONS (as estimated by the *Accountant and Comptroller-General of Customs and Excise*.*

Age.	Rate.	Present Means Conditions		No Means Limit	
		Number of Pensioners	Cost	Number of Pensioners	Cost
70 {	5 0	920,000 {	£11,772,000 †	1,577,000 {	£20,500,000
	7 6		£17,636,000		£30,750,000
	10 0		£23,500,000		£41,000,000
65 {	5 0	1,500,000 {	£18,950,000	2,692,000 {	£35,000,000
	7 6		£28,425,000		£52,500,000
	10 0		£37,900,000		£70,000,000

* Cmd. 410, p. 19. "In 1909 the amount spent in Old Age Pensions was just over two millions. In 1910 it was £8,468,128."

† Actual provision for the year ended March 31, 1920.

HEALTH INSURANCE

National Health Insurance was first adopted in 1911 and made insurance against sickness and disablement compulsory. All workers between the ages of sixteen and seventy are within its scope, numbering in all some fifteen million persons. These include all manual workers and non-manual workers with incomes under £250 a year. The scheme is contributory and the costs are divided between workmen, employers and the State. To-day the workman contributes 5*d.*, 4*d.* in the case of women, the employer 5*d.* and the State two-ninths of the funds required to provide and administer the benefits of the Act. The employer is responsible for the payment of his contribution and for the deduction of the worker's contribution from wages. A stamp is bought with these contributions which is fixed on to a card, a development of the "livret" instituted by Napoleon.

The benefits provided under the scheme include : provision for medical attendance, the payment of a weekly benefit of 15*s.* for men and 12*s.* for women for not more than twenty-six weeks as a sick benefit, a disablement benefit of 7*s.* 6*d.* so long as the beneficiary is rendered incapable of work by disease or disablement, and a maternity benefit of 40*s.* to the wife or widow of an insured person or an unmarried woman who is an insured person. The wife of an insured workman who is herself an insured employée receives a maternity benefit of £4. The money benefits are paid out through some "approved society" and the medical benefits are in the hands of local insurance committees. Approved societies consist of friendly societies or trade unions and certain collecting societies, including special branches of such private insurance companies as the Prudential. Deposit contributors, i.e. those who use the Post Office for the receipt of benefits, are differentiated against. The insurance committees represent the insured persons, the doctors and the Ministry of Health. They are responsible for the organization of panels of doctors and pharmacists and the administration of medical benefit. The administrative expense is 14·2 per cent.

The National Health Insurance Scheme is criticized for failing to provide medical treatment by the panel doctor

for the wife and children. But objection is being taken also to the treatment provided which must be "of a kind which can, consistently with the best interests of the patient, be properly undertaken by a general practitioner of ordinary professional competence and skill." Specialist services are not provided for, and it is asserted that even where doctors have this specialist knowledge that they will refuse it to panel patients. Greater latitude in the choice of doctors is demanded. There is a lack also of hospitals and sanatoria. Inadequate provision made by way of insurance for maternity benefits puts England in the undesirable position of not carrying out the convention of the International Labour Conference on the subject.¹ The doctors who, in addition to panel practice, carry on their private practice, are alleged to give too little attention to their panel patients. Money benefits under all heads are held to be inadequate. Too little attention has been paid to prevention of illness, in spite of the many promises to remedy this.²

The carriers of insurance, the approved societies, are not popular. There are to-day as many as 1,192 of these approved societies in Great Britain, of which thirty-one are societies with branches, the total number of these being 7,266. That this leads to overlapping, unnecessary competition, and waste, and avoidable high administrative expenses is commonly agreed. An area with sixty houses may well have members in thirty or forty societies. The obvious remedy for this state of affairs is the amalgamation of some of the existing societies. If necessary, some of the smaller ones could be abolished. This is actually the official policy. There were many more approved societies during the early working of the scheme. In any case pressure could be exerted to establish a few well-organized, soundly administered approved societies. But the abolition of these very real evils may lead to an even worse evil, the menacing power of a vested interest. Who is desirous of advocating to-day the concentration of the power of approved societies into fewer hands when they are already in a position to

¹ This matter is dealt with in detail in Essay VI.

² Some of the "approved societies" whose reserves are very good provide for special medical benefits, such as orthopædic treatment, dental treatment, provision of crutches, etc.

threaten one of the biggest Departments of State? Their present attitude is not that they are bodies which have been recognized, encouraged and made rich by a Government scheme, but that it is for them to have a preponderant influence in dictating Governmental policy on the question. Instead of proving useful machines for social purposes they are now claiming privileges and powers, creating vested rights and collecting huge reserves, so that their further development is of uncertain value.

It is this same fear of their power that is holding back the advocacy of other schemes of social reform. Pensions for widows and orphans are being advocated with increasing vigour. But who should administer this new scheme? It is clearly impossible to give this administrative activity to approved societies or indeed to any but a Governmental organization.

It is interesting to contrast the power, the influence and the great wealth of the approved societies to-day with their poverty and almost hopeless position before the National Health Insurance Scheme was introduced.

Frequently in the past they ignored the fact that their actuarial tables were a safe guide to follow only if they took note of certain conditions. They became careless about admitting unhealthy members; they neglected to keep adding a sufficient number of young members, so that with age the average amount of illness rose above the expected rate. Old Age Pensions were paid under the guise of sickness benefits. Even the actuarial calculations were not honestly adhered to, and as a result the annual contributions or subscriptions of members were inadequate to carry the benefits assured. There was very often a lack of efficient management, especially in the safeguarding of sick funds. Even when it was essential the management had not the courage to adopt thorough financial reforms. They certainly did not know how best to invest their capital. Thus by 1911 there were many reasons to account for the deficiencies and the unsatisfactory condition of friendly society finance. Actuarial solvency was not too common. There was a slowing down in numerical strength, whilst many of the larger societies actually lost members or stopped growing in spite of the growth of population.

Friends and advocates of these friendly societies who

foresaw "impending dangers" had been appealing for Government aid for twenty years

"to wisely and judiciously assist by legislation the friendly societies of our country, as national monuments of working class mutual thrift, to set their house in order, and to encourage the financial leaders . . . to persevere, by removing from the path of progress certain stumblingblocks and impediments which, at the worst, bar the way, or, at the best, retard the pace."¹

That assistance came in the form of the National Insurance Act, 1911, Part I. On the day the Act came into operation the friendly societies of the United Kingdom received a credit of £10,000,000, which enabled them to start afresh with a slate clear of all their past financial errors.

It is amusing too to hear the special pleader bemoan "the glorious days" of the monstrously underpaid doctor of the old club practice in contrast with the system of panel doctor of to-day. Perhaps every medical system based on a per capita basis must be pernicious. But the doctor to-day gives more time to his patient, even if he still too often treats cases of disease merely with a pill, plaster, or bottle of medicine.

At the outset it was contemplated that outside the deposit contributors all insured members would use the existing mutual thrift institutions or similar societies specially formed for the purpose. Two main qualifications for recognition as approved societies were laid down, viz.: (1) the society must not be carried on for profit; (2) its constitution must provide for its members having absolute control, including election and removal of the Committee of Management. The trade unions and friendly societies could qualify, but not, of course, the Collecting Societies and Life Assurance Companies. These were controlled as private undertakings by the directors and shareholders with a view to profit. The companies did not even have members, they had customers, i.e. policyholders. These Collecting Societies and Life Assurance Companies soon manoeuvred into recognition as approved societies by means of "separate sections" devoted to health insurance, but outside their ordinary business. It is a farcical pretence that these "approved

¹ Paper read before the Royal Statistical Society by J. Frome Wilkinson in 1895.

societies" are democratically controlled. No one is taken in, and Parliamentary authority suffers in consequence. Insured members are indifferent, and the Committees of Management are permanent or can easily procure the election of those whom they desire. About half the insured population are members of these private insurance companies and collecting societies. And of all the errors made during the period of excitement, recrimination, threats and strife which accompanied the birth of the scheme, none was worse than the recognition of these societies. Their immediate gain was a statutory right to enter the homes of millions of insured members, whom they now exploit for other purposes.

The "approved society," whether it be a trade union, friendly society or industrial insurance company, has other definite purposes besides the administration of Health Insurance. That other work generally comes first. And in cases where the administrators of the Acts are part time officials they have little time for insurance. This makes their administration extremely poor.

Quite by chance another abuse has arisen. Most societies have attracted a majority of their members from particular trades. In consequence some have a high sickness rate and others a low one. The former must necessarily give lower benefits than the latter. For the same reason many societies have huge reserves amounting in all to some thirty million pounds, which could be spent on a better service. As all insured members contribute the same amount objection is taken to this state of affairs and some system of pooling or nationalization is advocated. Of course, abuses occur, and Management Committees need to be watched by the Ministry of Health. But the objection to the approved societies is deeper than that. Where they administer the Act there is a lack of democratic interest with overlapping of societies and inefficient management, and individuals who happen to join a society with a large number of bad risks are differentiated against. It needs a costly supervision by the State to prevent abuses. It leads to the maximum amount of friction with the doctors and the State. After thirteen years' experience it may be definitely declared that the "approved society" has been tried and found to be inefficient for its task. It certainly cannot be used as the

machinery for administering a comprehensive unified system of social insurance.

In the case of health insurance too we find anomalies, because the scheme is not properly linked up with other schemes of social insurance. Workmen's Compensation, Burial Insurance and Old Age Pensions are not sufficiently related to Health Insurance.¹ Professor Gray even insists that

"what is frequently overlooked is this, that the problems of Health Insurance and Unemployment Insurance are not two distinct problems, but two aspects of the same problem. That problem is how to provide for the needs of a man who, through no fault of his own, is unable to earn his living. Whether the cause is ill-health or depression in the labour market has no bearing on the main difficulty that there is a hole into which no wages are going. Logically then the two schemes should be brought into the closest possible relation to each other, and it also follows that Parliament ought not to legislate for the two schemes as if they dealt with entirely distinct parts of a man's life. It is surely absurd that under a State-aided scheme of Health Insurance, a man should fall into arrears of contributions in respect of a period when under another State-aided scheme he draws benefit because he could not possibly be at work."²

Professor Gray's argument could evidently be applied to the whole field of social insurance.

UNEMPLOYMENT INSURANCE¹

The Unemployment Insurance Act of 1920 brought under the scheme a total of about 11 $\frac{3}{4}$ million insured persons in the United Kingdom, thus constituting for the first time a national system as against the experiments of the earlier Acts. It applies compulsorily to all persons of the age of sixteen and upwards, including non-manual labourers receiving a remuneration not exceeding £250 a year. It does not, however, cover those engaged in agriculture and in private domestic service. The scheme is contributory, workmen providing 9d., employers 10d. and the State 6 $\frac{3}{4}$ d. ; employers

¹ See pp. 27, 28.

² *Some Aspects of National Health Insurance*, by Professor Alexander Gray. The anomaly referred to in the last sentence has been dealt with recently.

and workmen provide their contributions through the stamp and card device. The contributions are paid into the Unemployment Fund. This is the source for the payment of all benefits and the administrative expenses. Benefits are provided to-day on the following basis: 15s. a week for men and 12s. a week for women; 5s. a week is allowed for a wife or an invalid husband and 1s. for each dependent child. The Employment Exchange, the administrative machinery for this form of insurance, will first satisfy itself that no suitable employment is available for the applicant, i.e. that he is genuinely unemployed, before it pays him any benefits. Advisory committees of employers and employees aid the Exchange officer in the discharge of his duties.

In criticizing this form of insurance we must take into account that for over three years we have had an unprecedented spell of severe unemployment. But several desirable improvements may be pointed out. Extension of the period of benefits should have been granted on the same terms as the covenanted benefit. Benefits should be made to vary in relation to wages. Agricultural workers and domestic servants need to be included under the scheme. Advisory committees representing employers, workpeople and the local authorities should be given more power. Above all greater attention must be paid to prevention. But whilst employers are not supporting employment exchanges as much as was expected, it seems futile to try and use insurance as a device for reducing unemployment.¹ That problem must be tackled more directly.

BURIAL INSURANCE

Industrial insurance or burial insurance is that type of insurance which provides for the costs of a "decent burial" when members of the workman's family die. This is generally organized by private insurance companies, who by an elaborate system of canvassing and collecting succeed in getting millions of new policies adopted every year. In a publication of the Association of Industrial Assurance

¹ The recent Report on Unemployment Insurance by the National Confederation of Employers' Organizations in Great Britain signifies a radical change in this respect.

Companies and Collecting Friendly Societies issued in 1921 it was stated that "there are over fifty million of industrial policies now in force over which over £35,000,000 is paid annually in premiums." The Chairman of the Prudential reports that in 1923 the premium income of their industrial branch was £14,887,348. It is not uncommon for one family to have an average of two or even three policies for each member of the family. Four agents of competing companies, or even of the same company, may call on one household for the weekly contributions. It is needless to point out that this system is wasteful in the extreme. A recent Government inquiry states that the ratio of administrative cost to the premium income for burial insurance was 44 per cent. In the case of many companies it is much higher than that. It points out also that there are five million lapsed policies annually. These lapsed policies—it is authoritatively stated that "seven out of every eight policies lapse without becoming claims"—bankruptcy of insurance companies, unfair treatment of beneficiaries, the colossal profits of certain companies and the huge fees taken by directors have long made this form of insurance a notorious instance of profits made out of the ignorance and necessities of the poor. The amount spent by the workers in one year for "death" benefits is substantially more than on health, maternity and disablement taken together.

It is interesting to recall that burial insurance was provided for in the original scheme of health insurance which Mr. Lloyd George advocated, but that it was withdrawn owing to the pressure of the insurance companies concerned. Their power in Parliament and their frequent threats to use their army of perhaps seventy thousand canvassers, who have an entry into the houses of practically the whole working-class population, against any Government which interferes with their glaring inefficiency to manage their businesses are the greatest obstacles to a rational and efficient organization of social insurance.

One witness before the Parmoor Committee described how industrial insurance is administered in the City of Hull, a town with a population of about 300,000. There are from thirty to thirty-five insurance companies and collecting societies working this business. Each company has a dis-

strict office in Hull and, of course, a staff of clerks varying with the amount of business done, and this necessitates the hiring of thirty buildings. Each office has a superintendent or superintendents covering the whole city, and these in turn have assistant superintendents who practically cover the same ground over again. Each company or society has a number of agents, who in every case cover the whole city. These agents of the various companies call in the same streets and in the same houses. In Bean Street, a rather long street with about 3,500 inhabitants, it is calculated that there are roughly 100 agents who call in one week, many of them, perhaps twenty or more, belonging to the same company. All the agents of one company compete with one another and against every other company. In addition to the waste involved in this form of competition there is also duplication of head offices. There are some thirty or forty huge office buildings for the central management of these companies, and these require an enormous outlay for their upkeep.

Moreover, in order to increase the number of policies taken out, resort is had "to all kinds of tricks and all kinds of deception for the purpose of deceiving the poor and illiterate in the by-streets." These are generally practised by a group of people known as special canvassers. The agents whom the workpeople know bring them round to the homes and introduce them as chief inspectors of the head office. As they do not have to face the policy-holders each week the special canvassers are very lavish in their promises. This, it was stated, was done with the knowledge of the head offices and connived at by them, while millions of policies were taken out yearly through the activities of these special agents.

Frequently poor and ignorant workpeople will be terrified by agents who play on their fears of a pauper's funeral. Many take out policies which they cannot afford. Some are persuaded to take out policies costing two, three or even four shillings a week. Often workpeople cannot continue to pay for policies. Five million lapsed policies occur every year. In recent years such lapsed policies in the Prudential Insurance Company alone have been at the rate of a million a year. Even if a company does not make great profit out of these lapsed policies, they constitute

evidence of glaring waste. It is amazing that Sir William Beveridge, in his pamphlet *Insurance for All and Everything*, ignores this form of insurance altogether. Surely, the absence of "death insurance" would create a serious emergency in the workman's life, given his present views. It is notorious that he will forgo much in order to have it. The abuses of the present state of affairs cannot possibly be allowed to continue in any overhauling of the system as a whole. A widow whose husband has just died will mortgage her pension in order to obtain a lump sum, if he has not been insured. The only guarantee against this likely abuse is to ensure that every member of the workman's family is "insured against death."

Quite clearly, the premiums paid to-day by workmen in the case of industrial and burial insurance and by employers insurance against industrial accidents, the two branches of insurance which are still left to the control of private companies, enable the companies not only to meet claims and defray the heavy costs of agency fees, huge advertising and office expenses, but in addition to obtain a very substantial surplus of net profits.

It is important to observe that the administration of Workmen's Compensation and of Burial Insurance would, in a Government scheme of administration, be easier than would be either unemployment insurance or health insurance. It is easier to establish the fact of death or of an industrial accident than of unemployment or ill-health. The chances of malingering in the former cases are less, therefore the costs of administration would certainly be less.

PROPOSED EXTENSION OF SOCIAL INSURANCE

England is not unique in spending these colossal sums on social insurance, which represents a universal tendency in the industrial world of to-day. Progressive countries are providing an increasingly large sum for this purpose. Countries industrially backward are quickly catching up in this matter with those more developed. Indeed, some of the South American Republics, in part through the inspiration of the International Labour Office, have extended social insurance more than is common in some of the highly developed industrial countries. More than ever before

social insurance is becoming a world-wide movement constantly increasing the emergencies covered, extending the numbers and classes whom it covers, and everywhere tending to be applied compulsorily through State machinery. It is well-nigh universally agreed that it has mitigated suffering and helped the wage-earning classes to maintain their standard of living at the time when it was most threatened. It is the chief device for overcoming the haunting dread of insecurity, the fear of the helpless penury of wife and children should the breadwinner die, which constitute the most acute and persistent cause of social unrest.

Nor have we reached the maximum limit of expenditure on social insurance. Advocates are pressing for an extension of the number of emergencies to be provided for, and there is a sustained and powerful propaganda in favour of doubling, trebling, and even multiplying by five the amounts now spent in insurance against them.

Let us note what are the proposals for extension, development, unification. Extension of the existing system of social insurance is being demanded. These demands take various forms. There is the extension to include pensions for widows and orphans. Then there is the proposal to provide compensation for non-industrial accidents, as in Switzerland. Benefits and treatment on a more generous scale should be provided in the case of ill-health not only of the breadwinner, but also of the other members of the family. Groups of people not now covered under existing schemes, agricultural workers and domestic servants, ought to be included. Maternity benefits ought to be raised to the level provided in the Maternity Convention of the International Conference held in Washington in 1919. In order to avoid the stigma of class legislation it is even suggested that everybody in the State should be insured, and even when this is opposed on grounds of economy, the case for making the income limit the test and not the status is strongly urged. Thus small shopkeepers e.g. would be included. Then there is the urgent demand for benefits which will bear a nearer relation to the loss suffered. The experience gained combined with the improved technique of administering social insurance enables much higher benefits to be given without creating serious danger of malingering. There is also the demand for the elimination of all waiting periods

and of the continuance of benefits as long as the emergency lasts. In short, our present schemes of social insurance are incomplete and inadequate to working-class requirements. By reason of the gaps and the inadequate benefits tens of thousands of working-men and women, together with their children, are forced into destitution and degradation.

EXISTING ANOMALIES

But increase of benefits, provision against other emergencies and the inclusion of other groups are not the only proposed extensions of our existing schemes of insurance. The present situation is full of anomalies. Under the Workmen's Compensation Act provision is made for those who are maimed or killed in consequence of "accidents arising out of and in the course of" their employment. If, however, the accident occurs through a non-industrial cause the workman receives no compensation. If a man going down the street on his employer's business is killed by a passing vehicle, his widow and children may receive the maximum compensation provided under this Act. If, however, he is going down the street on his own business and is killed, his dependants receive nothing. If he dies suddenly through an industrial cause, considerable provision is made for his dependants under the Act; if his death ends a long illness through which an anxious wife has nursed him, she receives nothing.

Similar anomalies are observed when we consider the position of men and women whose working capacity is partially or totally impaired as a result of an industrial accident or sickness. An "invalid," who has young children for example, after the expiration of sickness benefits under the Health Insurance Scheme at a higher rate for twenty-six weeks, receives 7s. 6d. a week, whilst an old man of seventy, whose children, if he has any, are sure to be grown up, receives 10s. a week.

Nor have we yet decided whether additional benefits should be granted to wage-earners with dependants. In the unemployment scheme such extended provision is made, whilst it is generally denied in the case of illness and invalidity. In the case of industrial accidents it is conceded in fatal cases and refused in non-fatal cases.

It is repeatedly suggested that the existing schemes of insurance should be dovetailed into one another instead of leaving gaps or allowing overlapping. This does not imply any criticism of the administrative officials. They have been diligent in the co-ordination of administrative and executive arrangements as far as lay in their power. But they could not make good the deficiencies in the law itself.

Workmen who suffer industrial accidents are debarred from treatment and other benefits under the Health Insurance Acts, and unless their approved society gives them payment by way of advance, pending the settlement of the claim for compensation, they may fall short of the full benefits to which they would have been entitled in the case of illness arising from non-industrial causes. The Departmental Committee on Workmen's Compensation of 1919, 1920, actually inquired into the possibility of unifying in part health insurance with workmen's compensation. It has similarly been suggested that invalidity ought to be joined to old age, because in both cases it may be assumed that the individual is no longer capable of work, and that therefore he should be provided for under one scheme. It will be recalled also that the pressure of the insurance companies alone prevented the inclusion of burial insurance in the National Insurance Act of 1911. Since the devastating criticism of the administration of this form of insurance was made in the Parmoor Report of 1920, it has been frequently proposed that burial insurance should form part of a wider national scheme of social insurance. It has also been proposed that disability or invalidity benefit should be treated under the same system as the Old Age Pension Scheme, as is done in other countries, and not as part of our health insurance system.

Why are not these proposals carried out? Surely the reasons for combining under one administrative machine all cases of illness, whether due to industrial accidents, industrial disease, or sickness not immediately traceable to industry, are overwhelming. Administrative expenses would be curtailed, procedure simplified, litigation reduced, and the workman given indisputable rights in all cases of illness. The explanation lies in the fact that these emergencies are not viewed as belonging to the same category. They are

still regarded as different "in principles" and "substance." When Departmental Committees are appointed to examine the administration of one scheme or another, they cannot deal adequately with the question that concerns them directly because it is really part of a larger problem with which they are not dealing. At most some slight amendment of existing schemes is suggested to remove the worst anomalies. They do not face the necessity of a complete amalgamation of both schemes by throwing them into the melting-pot. Let us note what it would mean if an attempt were made to unify workmen's compensation with health insurance. At present the workman and the State as well as the employer contribute towards the costs of health insurance, but workmen's compensation insurance is paid for, in the first instance, by the employer alone. The former is administered as a rule by approved societies, such as friendly societies and trade unions, i.e. in part by workmen's organizations; the latter, as a rule, by private insurance companies. Health insurance contributions are on a flat rate for workmen in all occupations, but variation in the rate of premiums for workmen's compensation, although not very common, exists, and is growing in extent.

How unite these two schemes? Who is to pay the contributions in future? What machinery is to be used for administration? Employers would be opposed to paying for both schemes. Workmen would object to submitting to machinery administered exclusively by the employers, while, on the other hand, employers would solidly oppose administration by workers' organizations. Nor would such a change take place without great opposition from the very powerful and alert insurance company interests. It is evident that Government Committee after Committee has found itself unable to deal adequately with the particular branch of social insurance it was investigating because that part was truncated from what should have been dealt with as a whole.

Thus there is a danger that contradictions and irregularities which, during the growth of our system of social insurance, seemed unavoidable, will begin to be regarded as permanent and even justifiable features. Let us note some of the anomalies arising from the financing of our present schemes.

There does not seem to be any sound reason, unless a historic accident may be regarded as such, why employers should be expected to bear unaided the burden of accident insurance while they do not support that of unemployment insurance. Nor is there any clear reason why the State should provide Old Age Pensions but not burial insurance. What real justification is there for the distribution of the costs of unemployment and health insurance in their present ratios? The Government Actuary has declared that

“ it is an interesting speculation as to what the contributions of the several parties ought, theoretically, to be for different forms of insurance effected under compulsion, and whether there is a guiding principle by which Parliament can direct itself in such matters.”

Surely this is more than an interesting speculation. Nor does there seem to be any reason why this speculation should be confined only to schemes of compulsory insurance.

The methods of administration, the nature of the machinery, the payment of premiums, the manner of obtaining benefits, vary from one scheme to another. Against some emergencies insurance is compulsory, against others it is voluntary. Certain branches of insurance are contributory, others non-contributory. Against certain emergencies insurance may be effected, against others the last refuge of those who suffer from them is the Poor Law. The present arrangements are a patchwork of many pieces and varied colours. A complete overhauling of our present system of social insurance seems to be not merely desirable but inevitable. This was the attitude taken up by the recent Departmental Committee on Old Age Pensions, which declared that

“ the final object which we have in view is a system under which complete and adequate public assistance would be available in all cases in which it is required, whether the need arises from old age in particular, or from invalidity, unemployment, or other forms of disability, and whether or not the need extends to destitution. Such a system would cover the field occupied by Old Age Pensions and National Insurance on the one

side, and the Poor Law regenerated, as we hope, on the other. *The full scope and extent of insurance has not yet been ascertained and requires prompt and thorough investigation. Equally urgent is the reform of the Poor Law.*"

This vision of a completely adequate system of social insurance, a phrase more correct and to be preferred to that of public assistance, in the place of our present overlapping, confused and inadequate schemes is not frequently caught, nor are its implications sufficiently realized.

The absence of an underlying idea for our scheme of social insurance is clearly revealed in the manner in which insurance is administered by a variety of organizations. The poor workman to receive his different benefits must submit to hosts of officials, appointed by national and municipal authorities, trade union and employers' associations and private company managers. Workmen's compensation, as we have seen, is administered by insurance companies, employers' mutual insurance companies and establishment funds. Old Age Pensions are administered by the Customs and Excise Department and payments are made by the Post Office. Health, invalidity and maternity insurance are administered by approved societies. These consist of friendly societies with branches, other friendly societies, trade unions, collecting societies, industrial companies and employers' funds. Deposit contributors insure with the Post Office. Unemployment insurance is carried on by employment exchanges, trade unions and other industrial associations. Burial insurance is organized by insurance companies, collecting societies, friendly societies and the Post Office. The Poor Law remains for necessitous widows and orphans, and for those who exhaust their rights to benefits and are still in need.

No wonder if, in consequence of this chaos of administration, the underlying object of all these branches of social insurance is forgotten. Nor is it strange that, as a result, workmen do not always know how, when and where to claim their rights. Without the help of their trade union secretary many indeed would pay heavily for this ignorance. The prospect of consolidating their insurances is, therefore, particularly attractive to many workpeople.

The situation as described is reinforced and explained in a recent report by the inter-departmental committee on

public assistance administration (Cmd. 2011, 1924). They write:

“The various schemes as they stand to-day have grown up piecemeal in a long period of years, and plainly bear the marks of their historical development. . . . The various services have for the most part been instituted at different times, and have developed on a number of independent lines. They have been designed to provide for special contingencies as the need or demand for them became apparent, frequently by different methods and in different measure; different principles have entered into the conception of services providing for closely related forms of need, and different forms of administrative machinery have been set up for services broadly similar in purpose.”

Another serious criticism of State-provided or State-aided insurance results from the smallness of the benefits in the different schemes. Here, too, there is the lack of a clear principle of action. We began with the object of encouraging the insured population to regard the benefit as an aid to, but by no means as a substitute for, voluntary provision against the emergency. We are now drifting towards the view that state insurance is generally the workman's sole method of making such provision.

Which of these two is the more desirable policy?

The inadequacy of existing rates of benefits is clearly shown in the case of two insured workmen in the same family.

The former, a very thrifty and foresighted workman, has joined a number of organizations, so that during a recent illness his benefit amounted to 61s. a week. This enabled him to obtain proper treatment whilst ill, and then to spend three weeks at the seashore whilst convalescent. His brother-in-law, who was insured only in the state scheme and the trade-union scheme, i.e. a man who belongs to the type who waits for some compulsion to be brought to bear upon him, found during his recent attack of influenza that he could not afford to be away from work, so that he went to work as usual. He has a wife and three children. His 27s. a week in benefits were not sufficient, seeing that 9s. a week was necessary for rent. Let us note the provision for insurance made by these two workmen.

	Contribution, per week.	Benefits.
National Insurance Schemes ¹	s. d. 1 3	Unemployment, 15s. plus extra provision for dependants for 26 weeks. Sickness, 15s. for 26 weeks.
The Northampton Boot Operatives Trade Union	1 0	Strike and lock-out pay, 18s. a week for 10 weeks. Unemployment pay, 18s. a week for 10 weeks. Sick benefit, 12s. a week for 10 weeks. Death benefit, £6 for a member, £3 for his wife.
The Ancient Order of Recha-bites	0 7½	Sickness, 15s. for 26 weeks. Death, £5.
The Free Gardeners' Friendly Society	0 6	Sickness, 8s. for 52 weeks. Death, £10 a member, £6 his wife.
The Factory Sick Club	0 3	Sickness, 10s. a week for 13 weeks. Death, £2.
The Royal Liver Insurance Co., Ltd.	0 4 0 1	Death, £28. Death of wife, £7.

The former workman is paying 4s. 0½*d.* a week for his insurance contributions to six organizations. The latter is paying only 2s. 3*d.* a week through his union and the national scheme, and finds that he must carry on with his work even when he has an attack of the "flu" and is advised by his doctor to keep in bed.

Clearly, the time has arrived for reconsidering the scale of benefits.

¹ The employer will as a rule insure his workpeople against industrial accidents in another insurance organization.

III

INSURANCE BY INDUSTRY

BEFORE discussing the various proposals for completing, improving and unifying existing schemes, we are obliged to consider, if only briefly, lines of attack against all forms of State insurance. Other types of administrative organization are urged from time to time. Some would have trade unions' control schemes of unemployment insurance ; others see salvation in the setting up of establishment funds ; even to-day, and in spite of the lessons of history against it, advocates arise who recommend the subsidised voluntary schemes as the most satisfactory. But in recent years we have heard more of insurance by industry as the ideal form of organization.

It is contended that the industry and not the State is the appropriate instrument for the administration of insurance. Any completion or extension of our present schemes which are essentially State schemes will, according to this view, necessarily be harmful. Let us then examine the case for and against the proposal of social insurance organized in these different forms. In order to do this we will examine the case for and against them by reference to one emergency—that of unemployment.

TYPES OF ORGANIZATION

What are the main types of organization of unemployment insurance ? There are five such types which, of course, take different forms in different countries, and with different trades and industries. Organization and administration through the trade union is the oldest type. This is encouraged by State subsidies under the Ghent system. Then we have the State system, of which the first and best example is the

British. There have also been a few, very few, individual establishment insurance funds, and recently there has been developed a proposal for insurance by industry.

VOLUNTARY SCHEMES

Trade union unemployment insurance and establishment funds are both voluntary arrangements. They are brought into being because there is an appreciation of the value of insurance by those affected. In both cases there is the advantage that theoretically at least rates of contributions vary with the risk. Moreover, both provide a ready check on malingering. Both the union secretary and the establishment fund official have a fairly intimate knowledge of the members as well as of the state of trade : and, in consequence, know whether unemployment is, or is not, feigned.

But these organizations have definite defects as well as merits. It was found as a matter of fact that very few workmen belonged to trade unions which provided unemployment benefits, and those who did were frequently the highest paid workmen, i.e. those that perhaps needed it least. The poorer-paid casual labourers and unorganized workmen could not afford the necessary dues to make such provision themselves. Also the unemployed workmen were not responsible for their plight, and it was manifestly unfair for them to bear its burden unaided. Similarly, be it noted, that employers very rarely indeed established these funds. In fact, until a few years ago, most students of unemployment insurance, both in the United States and in England, assumed that establishment unemployment insurance was impossible. And the difficulties are certainly great. (This points to the explanation why private insurance companies have generally avoided this form of risk.) But it can be done, as we know, from the experience of establishment funds abroad, and from recent experiments in Great Britain and the United States. It is, however, necessary to see these developments in proper perspective. It should not be forgotten that the State did not organize a scheme of unemployment insurance until employers as a body showed that they were unwilling to deal with it. Even after the War, some three-quarters of the industrial population were still uninsured against unemployment, and yet employers made no attempt to deal with

it either through establishment funds or by any other means.

As an alternative to State schemes of unemployment insurance establishment funds are unsatisfactory, because they are possible only in large, well-organized factories not subject to great fluctuations; they come as a rule from above, and may be withdrawn; active union members may, and often have been, treated unfairly: they are likely to be regarded as having something in the nature of charity about them; there are great difficulties of administration in times of strikes, and only a few of the more thoughtful employers at best could be expected to adopt such a proposal.¹

It is not then without some reason that labour leaders are opposed to establishment funds. Thus, the following opinion may be regarded as characteristic:

"This is of vital importance; we must have no truck with any system that allows each firm to have its own insurance scheme. That is a long step straight in the direction of slavery."²

Other objections to these small separate funds, both trade union and establishment, arose from the fact that they were frequently not actuarially sound, and insufficient reserves meant that no benefits were forthcoming when they were needed most. Moreover, a number of small funds necessitate a greater amount in reserve than one large one. They were opposed to the main tendency of insurance administration, viz. to spread the risk as widely as possible.

But although trade union and establishment funds are unsatisfactory as the sole means for providing unemployment insurance, they may have a very real place as supplementary provision. Thus, assuming that the Government scheme provides for insurance benefits at the rate of one-third of normal wages, it may be shown through these supplementary schemes that it is possible, without serious abuse, to raise benefits up to perhaps 70 per cent. or 80 per cent. or more of normal wages. In the case of establishment funds, moreover, the recognition of this additional responsibility of the employer towards the workman is good. On the other hand, establishment funds present a serious diffi-

¹ See ch. xxiv, *Insurance Against Unemployment*, by the present writer.

² G. D. H. Cole in *The New Leader*. December 8, 1922.

culty in administration. Whilst the trade union official will have knowledge of vacancies in other factories, the establishment fund official can have no such knowledge unless indeed he or the workmen seek it at the Employment Exchange. It may here be laid down categorically that no alternative to the Employment Exchange ought to be developed, and therefore it is essential that the actual payment of establishment fund benefits should be made through, or in close communication with, the Employment Exchange officer. But whatever value these funds may have had in the past, and without denying them some value even for the future, they do not suffice. The voluntary principle fails to make provision for more than a few of those who are likely to need unemployment benefit.

The Ghent system of unemployment insurance, whose essence is the grant of a Government subsidy to associations providing out-of-work benefits, has been adopted in a number of countries. Its object was to encourage such provision and thus increase the number of workmen making it. It raised the rate of benefits. Its success cannot, however, be said to have been very great. The lower-paid and unorganized workmen were not attracted. When even a 50 per cent. subsidy to trade unions' insurance funds, provided by the Ghent scheme, could achieve so little, the voluntary principle was practically given up. The next step which emerged was to embrace all wage-workers earning less than a certain stated wage in a national compulsory scheme. That, then, was the fourth type of unemployment insurance. The same compulsion could have been used at that time in order to organize insurance by industry, and would have to be used to achieve it in future.

THE MEANING OF INSURANCE BY INDUSTRY

It is noteworthy that the first three systems of insurance discussed—trade union, establishments funds, and the Ghent system—are forms of insurance by industry. On examination we find that a series of other proposals are all referred to by the same name. Thus contracting-out provisions under the present State scheme are referred to under this head.

Then we have three suggested forms of insurance by

industry recently outlined in the Government memorandum. Let us note these briefly, and add them to the four already mentioned. The first is to the effect that statutory liability is to be placed upon every employer to insure his workmen in an industrial scheme. The whole working-class population would thus be assigned to one or another of a given schedule of industries. Unemployment benefit at a prescribed rate for a given period would be received from the employer or from a joint agency set up by the employer and the workers.

The second suggested form provides that the State unemployment insurance scheme should be continued. Industries would set up special insurance schemes, and contribute to the State scheme only to the extent sufficient to provide a "basic rate" of benefit. The remainder of the contribution would be retained by the industry for the purpose of providing additional benefits suitable to the industry.

The third provides that employers and workers are to be encouraged to set up self-contained schemes for an industry or part of an industry, and that industries with a high unemployment are to obtain a subsidy from industries with a low. The State scheme would be continued, and would provide for employers and workers not covered by special schemes, and for those insured under a special scheme when the benefits paid under it have been exhausted. This is, in essence, the existing Government arrangement.

We have already noted seven possible forms of insurance by industry.

The eighth form is that advocated by Professor Commons, of Wisconsin, who would like to see employers organize a mutual unemployment insurance fund on lines similar to that of employers' mutual insurance funds for workmen's compensation. This proposal has much in common with that recently outlined by Sir William Beveridge, excepting that the latter objects to the use of insurance. Sir William's proposal eliminates all the paraphernalia of stamps and books. When unemployed, the workman is to obtain from the Employment Exchange benefit in proportion to the total amount of employment to his credit, e.g. one week of benefit, or 20s., for every five weeks of employment.¹ The

¹ Presumably, those who exhausted their right to benefit would still need to apply to some form of Poor Law.

employer would then refund to the Exchange what had been paid out. No contributions are to be demanded from the workmen; industry would bear the cost. This scheme differentiates not only between industries, but between employers in the same industry in respect of the regularity or irregularity of work. This proposal is particularly attractive, because it promises to lessen administrative machinery. In practice, it would result in as much machinery as the existing scheme.

The tenth form is that advocated by the National Federation of Employees' Approved Societies. As is well known, trade unions providing unemployment insurance benefits are given power to pay to their workmen the benefits obtainable under the State scheme, provided that they satisfy certain conditions. This provision aims at saving the workman from having to deal with two sources. The Federation of Employers' Approved Societies has claimed, and the Government now allows so-called employers' organizations of workmen employed in a given single establishment, to obtain their benefits in this manner.

Now, in addition to these schemes of insurance by industry, there are being discussed another group of proposals which their advocates claim to be different in principle. Industrial maintenance, the principle of continuous pay of workmen as advocated in the Dockers' Scheme, in the Cotton Industry Scheme, etc., are proposed by trade unions. We concede it in the case of civil servants, then why not, they ask, throughout the whole of industrial life. It is clear that very few even of those learned in these questions will regard these proposals as anything but schemes of insurance by industry worked out with special reference to specific industries. Industrial maintenance is in the last resort impossible without some form of unemployment insurance fund for the industry, and every such unemployment fund concedes the case for industrial maintenance.

In view of this enumeration of the meanings of insurance by industry, it is evident that difficulty in discussing this proposal arises from the fact that it is not clearly defined and that it is used in very different senses by its advocates. Moreover, such initial confusion is all the more confounded by a series of accidentals and irrelevancies when attempts are made to compare the merits and demerits of insurance

by industry with a State scheme of unemployment insurance.

Let us note and dismiss some of these very briefly.

A large unemployment benefit or a small unemployment benefit can be provided through any of these schemes. Benefits can be proportional to earnings whichever of these types of insurance it is decided to adopt. Similarly, the contributory or the non-contributory principle can be employed under both types of scheme. Insurance by industry does not necessarily mean that the State is to be entirely clear of the scheme, and State insurance does not involve complete control of the administrative machinery by Government officials. The cry "Let the State keep its hands off industry" is in this connection a false one. Power would have to be given to make certain schemes compulsory. The State would have to supervise schemes, lay down the minimum benefits and maximum administrative expenses. It would insist on adequate reserves, and, perhaps, even require a £20,000 deposit as a guarantee of solvency. On the other hand, a State scheme can allow very considerable powers to advisory committees representing employers and employed.

The most powerful means for discrediting the present scheme has been the use of the argument that it has broken down, that the fund is bankrupt, that "doles" are being paid and not insurance benefits, and it is implied, if not stated, that this is the result of instituting a State scheme. If, however, we had had funds for each industry or establishment funds, this unprecedented depression would not have drained the resources of each fund. This claim, when dragged into the open, needs only to be stated to be dismissed as worthless. Practically every industrial scheme, if such were in existence, would now be absolutely bankrupt.

Another series of irrelevancies relates to the financing of schemes. Here, too, a State scheme as well as a scheme of insurance by industries might be subsidized by the Exchequer or refused any grant in aid. Then, again, it is true that any system of insurance might mean the maintenance for quite a long time of a surplus population whose services are not demanded. This objection applies to all forms of insurance. Nor is it likely that the business man, at least, will be impressed by the economy argument, by the argument in favour of insurance by industry, which insists that it is the means of alleviating the burdens of the public exchequer.

It is safe to assume that the employer will hate to pay a tax in respect of unemployment insurance to the fund of the industry as much as he hates to pay it to the State Unemployment Insurance Fund. Nor is a shuffling of the burden of this kind a real economy. What seems to be needed is a series of tests or standards which can be applied to all types of schemes. On both sides there are merits and defects. On which side lies the balance of advantages when the new proposal is closely and impartially examined? Their comparative workability or the superiority of the one system over the other is the issue. In order to be fair, then, to this proposal of insurance by industry, we must lay down more clearly exactly what it means. Its essence is this: that all the factories and establishments shall be assigned to a number of definite industries, or that all the working-class population shall be so assigned, and that each industry shall then be obliged to organize a system of unemployment insurance of its own which will attain a satisfactory minimum of requirements in respect of benefits, and of administrative efficiency. Of course, each scheme would have to provide its own machinery for testing the *bona fides* of those claiming benefits, or use the existing system of employment exchanges for that purpose.

In contrast with this project we have the State system, where all wage-earners, with few exceptions, are insured in one centralized State Fund of Unemployment Insurance.

ARGUMENTS IN FAVOUR OF INSURANCE BY INDUSTRY

It is urged that under the existing schemes of unemployment insurance, trades with a small percentage of unemployment are, in effect, subsidizing trades with a high percentage of unemployment, since both pay the same contributions. This, it is contended, is unfair to the employers and workmen in the industries which are carried on with a minimum of unemployment. Perhaps, however, the most weighty claim in favour of insurance by industry is that it will give employers a definite incentive to cut down the amount of unemployment in their trades to a minimum.

Two other arguments in its favour, that benefits will be better adjusted to earnings, and that employers and workers will both have an interest in its working, have already been

dismissed as irrelevant. It is not necessary to argue further that it is possible to adjust benefits to wages under a State scheme, that employers and workers already have wide powers in the administration of unemployment insurance through the advisory committees, and that it is possible and desirable to extend these powers. We are, therefore, left with the two arguments that it is unfair for fluctuating trades to pay the same premiums as trades with little unemployment, and that employers should be offered a pecuniary inducement to reduce the amount of unemployment. Let us meet the first of these contentions.

It is argued that it is unfair to subject trades with little unemployment to the same charges for benefits as fluctuating trades. But if pressed too far that argument cuts right across the device of insurance altogether, whose very essence is the pooling of good and bad risks. If a distinction is drawn between different industries, it might be asked why not distinguish between the risks of establishments in each industry? It is not unusual for establishments in the same industry to have greater differences in their unemployment rates than exist between different industries. A stickler for consistency might even ask to have different rates of contributions applied to different departments, and even to individuals, because they are less liable to unemployment. But the more satisfactory answer to this criticism is that the Government scheme actually meets the case of unfairness which the trades with a small percentage of unemployment may level against it. The State subsidy to the scheme, amounting to about one-quarter of its total costs, makes it worth while for most of them to pool their risks with trades subject to a higher percentage of unemployment. By this means the benefits which the former may receive are as a rule at least equal to the amount which their unassisted contributions could buy for themselves; while the latter, it may be conceded, gain in their benefits the full measure of the Government subsidy. It is instructive to note that the Government-outlined schemes of insurance by industry, as well as that of the General Federation of Trade Unions, aimed directly at preventing the fluctuating trades from bearing the full costs of the unemployment insurance of their members.

A continental writer, Dr. Georges S. Rabinovitch, in a

recent study, "Contribution à l'étude du chômage et de son indemnisation," also argues in favour of making the industries with little unemployment share the burden of those with a heavy percentage of unemployment, either through taxation or directly.

He writes :

"Insurance by industry being accepted in principle, we conceive of two systems which would maintain the advantages and eliminate the disadvantages. The first consists in maintaining in each industry an autonomous insurance fund contributed to by the employers, to whose interest it would then be to reduce unemployment, but with subventions from the public authorities for the industries where unemployment is particularly rife.

"The second system would maintain equally the basis of insurance by industry ; its particular feature would be to make contributions vary from industry to industry, but all would pay into one fund. Contributions would be calculated on the basis of the different industrial risks, but the second scheme would provide more rationally for the compensation of bad risks by good, which is essential if insurance is to be worthy of its name."

These advocates fail to realize that they are impaled on the horns of a dilemma. They propose insurance by industry in order to make contributions vary with the industrial risk, and then they advocate equalization schemes to avoid the criticisms of industries with a high percentage of unemployment.

Another practical consideration is this. The trades most subject to fluctuations are liable to result in a considerable amount of unemployment, which, in turn, results in an increase in the demands for relief from the Guardians. The costs of a subsidy to these occupations must be balanced against the cost of a body of unemployed seeking public relief. This consideration meets, in part but not wholly, the argument that a flat rate of contribution and benefits for all those engaged in industries whether they have a high or a low percentage of unemployment does, in fact, involve differentiation in favour of those engaged in the more fluctuating trades. And its validity is not seriously threatened by the consideration that the regular industries are frequently responsible for the irregularities of the others. Thus the cotton industry and the engineering industry are in part responsible for the fluctuating demand for labour at

the docks. In a similar manner, most industries can be held responsible for the fluctuating character of the building industry, since they all require buildings. It is evidently impossible to argue as if certain industries of the country existed in isolation from the others. But, after all is said in justification of the existing state of affairs, it is clear that the economist is sound in his objection to it, because, to use technical language, differentiation in favour of the more fluctuating occupations "would push workpeople into these occupations beyond the point at which the value of the marginal net product there is equal to what it is in other occupations."

CAN INDUSTRIES SOLVE THEIR UNEMPLOYMENT PROBLEM?

It is frequently stated that unemployment could be kept down in proportion to the incentive given to each industry to remove its causes. It is argued that the ingenuity of employers could be stimulated to prevent, or at least substantially to reduce, its amount by giving them a pecuniary interest in doing so, and that unemployment insurance could be used in this direction by organizing it on an industrial basis, and by providing for premiums varying with the risk in the industry.

This assertion needs to be carefully analysed and examined. It implies first, that those engaged in industry can prevent unemployment in it, or at least reduce its severity; secondly, that to-day they have no financial interest in preventing it; thirdly, that by giving them such an interest, unemployment would be reduced; fourthly, that this is a matter in which the industry, acting as a unit, can best achieve this object. Let us examine these implications.

First, the principal causes of unemployment are quite beyond the control of a single industry. Cyclical fluctuations in industrial activity are outside its scope. Nor must we forget the effects of catastrophes in distant countries, wars, political crises, the failure of harvests. The sphere in which an improved organization of an individual industry can prevent unemployment is very limited.

Secondly, it is untrue that the employer to-day has no financial interest in preventing unemployment. As a rule, unemployment means for the employer a wasting plant, the

loss of overhead expenses, frequently heavy losses on accumulated stocks, and, perhaps, even bankruptcy. Indeed, no incentive that the Legislature is likely to provide, or joint industrial councils can institute, is likely to supply a pecuniary interest equal to even a small fraction of that already operating to make the employer desire to keep his staff regularly employed. It is true that if he needs five hundred workpeople it does not matter to him which individuals he employs, assuming equal efficiency. But it is one of his chief aims as a business man to keep that number employed, and if he is anxious to run his establishment really efficiently, to keep the same staff regularly employed.

Thirdly, we have already seen that the pecuniary inducements offered to employers by the 1911 Act to keep their workpeople regularly employed had so little effect that they were withdrawn. Now that the amount spent on unemployment insurance is higher, it is conceivable that greater pecuniary inducements could be offered to employers to concern themselves about this matter. But there is little ground for expecting a discernible reduction in unemployment as a result of such rebates. When business is bad, employers pay attention to economies. But when it revives, this slight money consideration is likely to be ignored.

These a priori considerations are reinforced by a reference to experience with insurance against industrial accidents in this country. Here, individual employers who are members of mutual associations for administering workmen's compensation insurance do not seem to have exerted much effort to reduce the number of industrial accidents. Most employers are insured against this liability in private insurance companies, which have shown very little interest in the "safety first" movement for reducing accidents. In view of the opinion of H.M. Chief Inspector of Factories, that three-fourths of these are preventible, it is clear that neither the claims of humanity nor pecuniary inducement can overcome the apparent indifference of employers. Moreover, for a decade insurance companies have charged employers 50 per cent. for expenses and profits, and thus the burden on industry arising from workmen's compensation has been doubled. But employers willingly pay expensive premiums rather than spend thought and time in eliminating accidents or in establishing efficient mutual insurance companies.

Why expect that it will be substantially different in the case of unemployment?

Let us, however, inquire how large this financial subsidy can be in practice. Ignoring then the abnormal causes now operating, we find that in this country we have an average of about 5 to 6 per cent. of unemployment in all trades. Thus, there are generally nineteen people at work whilst one cannot find work, or, let us say, every workman is unemployed for one week out of every twenty.

Workmen when unemployed obtain, say, one-third of their normal losses as benefit during a given period. The cost of this is divided, roughly, between the three parties involved in the wages contract—the employer, the workman, and the State—so that each pays about one-ninth of the workman's average loss due to unemployment. But this constitutes, as we have seen, only one-twentieth of the normal workman's wages. Therefore, the total charge for unemployment insurance to the workman as well as to the employer and to the State is about a one hundred and eightieth part of the wages bill. Assuming that the total costs of an employer, on raw material, overhead expenses, management, depreciation, etc., are about twice as much as his wages bill, then his expenditure on unemployment insurance is about a one five-hundredth part of his total annual outlay. Thus, supposing an employer has an outlay of £500,000 per annum, he spends to-day but £1,000 on this item.

It follows that, supposing each employer could run his own scheme of unemployment insurance, or do so as a member of an industrial insurance fund, and that he would have to pay less if he organized his works in such a way as to reduce the amount of unemployment, the financial inducement for him to do so would be very small. Supposing by foresight, good forecasting, skilful planning and a sound organization he could reduce the amount of unemployment in his works by 20 per cent. of his normal unemployment, then he would save £200. To an employer with an annual outlay of £500,000 this would be insignificant.

Advocates of insurance by industry forget that insurance tends to develop a certain indifference towards the emergency. The employer pays his contributions to the fund, of which, perhaps, thousands or tens of thousands of other employers

are members, and he does not feel that any special care or thought he himself may take will be taken also by other employers. Nor, even if all employers came together, is it certain that they could agree to a given policy for reducing unemployment, or enforce it on recalcitrant members. It is far from proven that insurance by industry, in whatever form it might be attempted, will provide a sufficiently strong pecuniary inducement to make it certain that employers will do all they can to prevent even that small part of unemployment which they can eliminate. The prevention of unemployment, as, indeed, of industrial accidents, can be and should be attempted in a more direct manner than by the indirect and roundabout influence of lower insurance rates.

Fourthly, it may be questioned whether the industry is the unit in this matter. The individual manufacturer has been known to lessen his labour turnover, to work for stock, to train his workmen for alternative employment in his own works, to regularize the demand for his output and in consequence his own demand for labour, and even to pay his workmen full or part-time wages when they were unemployed. It is, however, questionable whether the whole of an industry could, if it would, achieve much along these lines.

It is true that the unemployment problem takes on different forms in different industries, and the evil needs its specific remedy in every case. Amongst the dockers, the problem is one of casual, intermittent employment; in the gas-making and building trades it is one of seasonal employment; in the wool textile industry it is a problem of under-employment rather than of unemployment. In one case we may have the phenomena of a dying industry, in another the paralysing effects of a policy of non-co-operation or of forced reparations. It is doubtless true that some of these problems can be slightly influenced by those responsible for the industries most affected, but that a very small money consideration will achieve this object is extremely doubtful. If employers of labour will not take trouble to eliminate all sorts of waste, which amount annually, we are told, to hundreds of millions, it is not likely that the saving to them of a few millions, assuming that it could be effected, will induce them to tackle this problem.

Let us note but one other important point in the discussion of the proposal of insurance by industry.¹ The essence of the administration of unemployment insurance is the imposition of a satisfactory test of the *bona fides* of the applicant. The workman goes for his benefit, but if the Employment Exchange Officer can tell him that there is a job, he is obliged to go and take it. If, however, he cannot be diverted to work he gets his benefit. That test can only be provided by the Employment Exchange. The payment of benefits is easy. It could be done through the post office, friendly societies, chambers of commerce, etc. But a test of the *bonafides* of a workman claiming unemployment benefit requires special machinery. The only kind of existing machinery that can provide the test needed is the Employment Exchange system, and it must be organized as a national centralized system. Unfortunately, no advocate of insurance by industry has told us whether he is going to have a different Employment Exchange for every industry or not. In Manchester we have a certain number of cotton manufacturers, a few engineering firms, dock workers, clerks, shop assistants; and if for each one of these occupations we had a different system of Employment Exchange, the resultant cost would be enormous.

Four tests may be laid down whereby one can judge types of social insurance.

The first test, one we have already examined, is whether the particular scheme suggested helps us to prevent the emergency.

The second test is that of administrative costs. The administrative expenses of the State scheme are very much less, in spite of all the cries of the Press, than those involved in any scheme of insurance by industry. They are very much less than the expenses of any other scheme that has been suggested and that can be contrived.

The third test is that of the security of the fund. It is not denied that while the Government is running the fund it is most likely to be actuarially sound and that the workman who has a right to a benefit will obtain it. An insurance by industry fund cannot be actually more sound, nor will the workman be more certain of his benefit.

¹ For a fuller discussion of the subject see the Author's *Insurance by Industry Examined*.

Fourthly, under the present system, the applicant for benefit receives his benefit as soon as it becomes due, and no alternative scheme can be better in this respect. Applying these four tests, insurance by industry does not promise to be better than the State schemes, while, in respect of other matters, it can offer no advantages of importance.

This conclusion, that insurance against unemployment is best administered by the State, applies also to all the other emergencies against which social insurance provides. We are now in a position to consider what form of revised social insurance should be adopted.¹

¹ The power conferred by the Unemployment Insurance Act of 1920 to make special schemes of insurance by industries was under the (No. 2) Act, 1921, suspended during the deficiency period. The Unemployment Insurance (No. 2) Bill issued on April 7, 1924, proposes that the power to make special schemes shall be abolished for the future, subject to the continuation of the one scheme which is already in existence.

IV

SOCIAL INSURANCE UNIFIED

THE solution to the problems raised by the inefficiency of our present schemes of social insurance, it has been suggested, can be found only in completing, unifying, and codifying them. Let us note briefly Sir William Beveridge's views on this subject. He has recently advocated the completion and overhauling of our schemes of social insurance. He seems, however, to favour the existence of two main insurance sections. He writes :

“ On the side of benefits, unification of machinery is excluded by the difference in the work to be done. At least two distinct types of machinery are indispensable, corresponding to the fundamental distinction between beneficiaries disabled by disease or injury and beneficiaries not so disabled. Nothing is gained by mixing oil and water, the sick and the whole. But there is a great deal to be said for having not more than two types of machinery, not more than two main sections of the comprehensive scheme.”

An insufficient case is made out, it is contended, for the existence of two administrative bodies. If old age pensions, unemployment insurance and widows' pensions are thrown together under the administration of the Employment Department, not only will different branches be required, but the tests of claimants to benefits will be different, the actuarial problems raised will be different, and the amount of benefit will be likely to vary with the emergency. There seems no sufficient reason why another section should not deal with ill-health, and another with accidents and so on. Of course the appropriate section will have to employ doctors in the latter case to determine whether the insured emergency has occurred, in the same way as it will employ inspectors in the case of old age

pensions and employment officers for unemployment insurance. The advantages of one card and one office where the workman can claim all his benefits, the cheapening in administration and the indirect good effects of a unified scheme should not be given up without stronger reasons being shown. Moreover, the adoption of this scheme would strengthen the approved societies so that the next stage to be taken towards establishing a unified scheme would be made more difficult.

It should be clear already that there are various ways of interpreting the phrase "unity of insurance." It might be taken to mean a code of social insurance measures with the articles in the laws in proper juxtaposition. In order to achieve even this degree of unity for the German system, small amendments and modifications were necessary here and there.

It might again be taken to mean that one person, say a Registrar of Insurance, or a Department of State, should have power to see that all the laws relating to social insurance are properly enforced. He would be likely to insist on the keeping of the best, and, where possible, most comparable types of statistics, on proper book-keeping methods, etc. This would not preclude the possibility of different branches of insurance from being in the hands of different departments of State, of mutual societies, and even of private companies.

An example of this type of unity is found in France.

By a decree, dated January 27, 1920, a Ministry of Health, Social Assistance and Social Insurance was instituted.

This Ministry is charged *inter alia* with the duties of the Director of Friendly Societies (*mutualité*) ; with the Division of Social Insurance (*l'assurance et la prévoyance sociale*), and the services dealing with the supervision of private insurance and reinsurance operations and direct insurance, and with the administration of the special funds for the benefit of victims of industrial accidents.

The decree goes on to state that "decrees respecting the health, social assistance and social insurance services which are at present under the control of other Ministries shall be submitted to the Ministry of Health to be countersigned."

France offers us also a very interesting scheme of unified social insurance covering illness, invalidity, death, old age,

maternity, and "family charges."¹ The benefits are to include medical attendance, surgical and hospital treatment, medicines, surgical apparatus, as well as cash benefits. Benefits in kind are to be uniform, but cash benefits are to vary with the worker's wage rate. Provision is made also for optional insurance of the wives of insured workers who are not themselves wage-earners. A subscription of 120 francs a year was to entitle them to various sick and maternity benefits and an old age pension.

The scheme was to be in the hands of the insurance societies: these were to be mutual benefit societies—employers', trade union, or autonomous. Industrial, commercial or agricultural undertakings and co-operative societies might set up health and maternity insurance societies if they had a membership of 1,000, and old age and life insurance societies if they had a membership of 10,000. The management was to be in the hands of employers and insured persons: it was to be autonomous, any surplus remaining the property of the society concerned.

The Government suggested setting up regional societies to collect contributions as a whole, and to distribute them among the various societies of the district, but this was not accepted. Putting it briefly, the proposed French unified scheme was to be administered by "approved societies."

A third form of unified insurance would be that in which all the different systems were brought under the supervision of one Government Department, but which left all the existing machinery substantially as it is. What has been called a mechanical merging of the schemes is possible. This Department would have no executive functions. But such a Central Office, already established in Austria, would become a clearing-house for information and research and for the examination of proposals relating to all branches of social insurance.

CO-ORDINATION OF SOCIAL INSURANCE IN AUSTRIA

The Austrian Chambers of Manual and Non-Manual Workers, who, under the Act of February 26, 1920, were called upon to act as the legal representatives of the economic interests of wage-

¹ This Social Insurance Bill had reached its final stages on the way to enactment when it was abandoned by the Government as a charge which could not be undertaken during the financial crisis.

earners in industry, commerce, transport and mining, have just taken the first steps for the establishment of a Central Social Insurance Office (*Zentralstelle für soziale Versicherung*). The reasons for this important development are set out as follows in a memorandum recently published by the Chambers :

The various branches of social insurance existing in Austria (sickness, accident and unemployment insurance of manual and non-manual workers ; invalidity and old age insurance of non-manual workers) were from the start organized independently from the financial and administrative point of view, and no adequate liaison has ever existed between them, with the single exception that unemployment insurance contributions are collected by the sickness insurance fund. It can therefore be seen that much remains to be done in the direction of collaboration between the bodies which are entrusted with the application of the various social insurance Acts, and in the co-ordination of their work.

Pending the adoption of the Hanusch Bill of 1920, the object of which was to unite, in a single administrative organization, sickness insurance and unemployment insurance with the invalidity and old age insurance which is to be set up for manual workers, and in view of the fact that, from now on, the various questions of social insurance are not to be dealt with in water-tight compartments, but as a whole, the Chambers of Manual and Non-Manual Workers think it indispensable to have a co-ordinating and centralizing organization for the purpose of bringing together the institutions and persons who hitherto have been working separately in the respective spheres of insurance work. The Central Social Insurance Office will meet this need for co-ordination and centralization.

As is the case with the chambers themselves, the central office will have no executive functions ; but, without prejudicing the autonomy of the various insurance institutions, it will form a central organization for information and research, and for the institution of proposals relative to all the various branches of social insurance.

The chief functions of the central office will be as follows :

(1) To consider bills and decrees communicated for advice by the Government to the Chambers of Manual and Non-Manual Workers ; to prepare, on its own initiative, draft schemes for submission to Parliament or the Government ;

(2) To organize legal assistance for beneficiaries of social insurance, by means of advice and legal opinions given by the office, and by direct intervention before insurance courts on behalf of the beneficiaries, etc. ;

(3) By means of periodical communications to supply social insurance institutions, employers', trade union and political organizations, and also the Press, with information on the working of social insurance in Austria and abroad ; to organize vocational courses for the officials of social insurance institutions and of trade organizations of manual and non-manual workers.

According to its statutes the office must maintain permanent relations with official and other institutions and associations, both

national and international, and particularly with the International Labour Office, the National Association on Labour Legislation, and the National Association on Unemployment.

The Council of the central office will include representatives of the Chamber of Deputies Committee on Social Questions, of the Central Committee of the trade organizations of manual and non-manual workers, of local accident insurance institutions, of the federations of sickness insurance funds, of the Austrian Central Union of Disabled Men, etc. The executive body of the office will be its secretariat, which will be part of the main department of the Chamber of Manual and Non-Manual Workers of Vienna, and will at the same time constitute a technical insurance department of the Chamber which will bear the cost of the secretariat.

The central office will begin work in the near future.¹

A fourth form, the one hinted at by Mr. Baldwin, is the merging of old age pensions, health and unemployment insurance, the existing Government-managed schemes into one system, leaving, so one would gather, workmen's compensation and burial insurance in the hands of private insurance companies. It may be said at once that these four groups of proposals do not promise any substantial improvement on the present situation. Slight changes here and there may be desirable, but these do not eliminate the main evils which have been revealed. These can be met best by organizing a unified system of social insurance through a national monopolistic fund covering the main emergencies in the workman's life. Indeed, in certain respects it is easier to unify the whole system of social insurance than to attempt small economies and small administrative improvements here and there. Note the recent experience of the Interdepartmental Committee now sitting on the question of how to substitute one card for the present two cards for health insurance and unemployment insurance. But in spite of the suggestions of the Geddes Committee, three interim reports have as yet been unable to suggest how it is to be done. It is, of course, true that practically the same twelve million people are insured against unemployment and against ill-health, and if only the accounts, the supervision of stamps, the issue of cards and the completion of the twelve million individual records for both schemes

¹ *Communication from the Vienna Chamber of Manual and Non-Manual Workers, "Industrial and Labour Information," International Labour Office, Vol. IX, No. 8, February 25, 1924.*

could be amalgamated, there would be considerable saving. But the different cards are expressions of the fundamental differences in actuarial calculations and administrative machinery which underlie the two schemes. It is obvious that even if it were decided to merge the two schemes, great difficulties would have to be faced, since the administration of both schemes cannot be entrusted to the approved societies, because *inter alia* they cannot provide an adequate test of unemployment. Nor would the approved societies agree to the Employment Exchange taking away their work from them under the Health Insurance scheme. If, in addition, old age pensions are to be included in a partially unified scheme, it seems obvious that it will prove more difficult to unite existing schemes than to start an entirely new scheme much broader in its scope. Moreover, we should still retain the worst abuse of all in our present schemes of insurance, the needlessly high administrative costs of workmen's compensation and burial insurance. All three schemes should be thrown into the melting-pot, together with other branches of insurance, and a complete reorganization on a new basis effected.

A fifth form of the proposal to unify social insurance is Government management of a State Monopolistic Fund of Social Insurance administered exclusively through Government agencies.

How administer the proposed national unified system of social insurance? Problems of social insurance are almost all bound up with questions of administration and organization. Sound machinery may make the difference between success or failure. Of course, it will be easiest and best to adapt an existing Government machine for this purpose rather than create a new one. On examination, we find that apart from the Post Office and the Inland Revenue Office, and these have their own sufficient and special tasks, the Employment Exchange is the only machinery at the disposal of the central government for coming into contact with practically the whole population. It is, moreover, the only means which the central government possess for coming into intimate contact with capital and labour. The many activities of a varied kind which it carried on during the War, and its smooth working in the face of overwhelming difficulties since then, points to it as the most suitable nucleus

of the machinery for dealing with social insurance. Such a development of the activities of a Government department is by no means rare, whilst the recent history of the Post Office affords particularly interesting examples of the assumption of such new duties.

The Government's experience in using existing machinery like approved societies, whose past is their own and whose life and interests are not those of the Government, who play for their own hand, who oppose other interests, and who will "use" the Government if possible, has definitely and decisively prevented further experiments along that line. The Employment Exchange has the advantage of being an exclusively Governmental machine for Parliament to use as it wishes. It has a record of achievement in a trying period. Its administrative expenses are low. It could be adapted to the work of a Social Insurance Department of State with social insurance offices in every village of the country. There is no reason why it should not administer mothers' pensions or workmen's compensation insurance, old age pensions or burial benefits. One can visualize the present offices divided up into a number of sections. Whatever the emergency, the workman or his representative would call at the Social Insurance Office and make the claim. He would be spared the anxiety of dealing with a variety of agencies. Moreover, he would be dealing with officials who had no special interest in or desire to mulct him of his rights as so frequently occurs to-day with some social insurance agencies. Transference from one trade to another or one district to another would be facilitated. Of course, benefits would be granted only if the claim were proven to be a *bona fide* one; and all the conditions surrounding the grant of a benefit would have to be rigidly enforced. But, with the existence of one administrative machine, the workman is more likely to know his rights and how to enforce them. And in turn the malingerer is more likely to be discovered and properly dealt with.

The uniting of these different schemes of insurance should not mean that there is to be a lumping together of machinery, a loosening of control, and a laxity in supervision.

It is essential that, if anything, the machinery should be tightened up. There is no blinking the fact that this vast

system of social machinery would become a positive menace if it were to be used as a means of shirking work. Even if frauds were few, they might be enough to demoralize those at work. There are certain to be some who would evade work, if they could obtain even a small income together with their freedom. Careful administration of the system, the provision of adequate tests of the *bona fides* of claimants for each different benefit, the reduction of benefits somewhat below the normal wage, the administration of the scheme by joint bodies of employers and workpeople, the enlightenment of the public as to who really pays, the bringing home to the workmen the fact that malingering is paid for largely from the contributions of the honest conscientious fellow-workers, these things may be relied upon to prevent the morale of the beneficiaries from being lowered.

Committees of employers and employed would be necessary in every area to deal with all cases of appeal against the decision of the insurance officer. These would have to meet sufficiently frequently to be able to act promptly at such hours as would be convenient to the workpeople. Representatives of local authorities, as well as appointed members from panels prepared by associations of employers and workpeople, should be given greater powers than similar bodies now possess.

It has long been agreed amongst all who think of these problems, that one drawback to schemes of social insurance is that they tend to make people careless about the occurrence of the emergencies insured against. Appropriate schemes and devices, and the proper machinery are necessary for preventing or at least reducing them. Now, in spite of the original intentions of their advocates, the existing insurance schemes have little effect in this direction. Four lines of activity need to be pursued. We must have adequate statistical knowledge applying to all wage-earners, in all industries alike, and not as to-day merely to those who are covered by truncated schemes of insurance. There should be a body making a continuous study of the problems, of their causes and prevention. This was intended at the outset both for health and unemployment insurance, but the valuable reports and recommendations of Dr. Newman to the Ministry of Health have remained, as a rule, without much effect on administration, whilst the

study of unemployment problems has been neglected. Even worse has been the neglect of devices for reducing industrial and non-industrial accidents. Two further steps are necessary. We must establish the right machinery for putting recommendations into effect, and above all we must educate all the individuals and bodies concerned to co-operate in carrying out the proposals. Parallel with the problem of preventing emergencies is that of rehabilitating those who have fallen below the physical and mental level necessary for them to be able to earn the minimum wage laid down by Parliament. It would be perhaps the main function of the Social Insurance Department of State to take the necessary steps for preventing emergencies and rehabilitating those who suffer from incapacity. That much can be done along these lines has already been proved by such organizations as the "Safety First" Association, and such firms as that of Mr. Henry Ford. The practice of the best firms must become the standard for all. It is amazing how little we use our knowledge of social hygiene, how seldom we think of draining the swamps of poverty and degradation, of converting the unemployables into employables, and of re-educating and rehabilitating the maimed and those partially incapacitated. Statesmanship should be directed towards using social insurance as a means to individual and communal industrial efficiency. It might even be used later as a lever to achieve advances in industrial organization.

Now it is evident that to the actuary the technical problem of constructing a sound system of insurance will be different in the case of unemployment, old age, industrial accidents, and pensions for widows and orphans. The nature of the statistics and the type of risk will present special features and different considerations. And certainly in the early days of the movement of social insurance these differences were eagerly seized upon to justify the setting up of distinct schemes. But now we find that while these distinctions are real, they are not of the greatest importance. The social object in all cases is the same, the administrative and technical problems are merely species of the same genus. It is for Parliament to decide on the main outline of a scheme, and it is for the actuary to tell us how much it will cost. The fact that he must calculate the costs of

these schemes separately, and that the actuarial calculations are different, is not nowadays regarded as sufficient reason why they should be administered by different kinds of machinery.

The theorist might well ask what system of premiums will give the greatest welfare? How shall it be distributed? Our choice, however, must lie between placing the burden wholly or in part upon either (1) the workman, (2) the employer, (3) the State, or (4) the industry. But in practice we shall have to be guided in this matter by the existing distribution of the immediate costs.

How much is contributed under the existing schemes¹ by the different parties? About 41 per cent. of the amount is contributed by the employées themselves, about 33 per cent. by the State, and about 27 per cent. by the employers. If, as is suggested, another fourteen million per annum is soon to be spent on old age pensions, and over twenty million on widows' and orphans' pensions, then the State will be contributing about half the costs of insurance from the Exchequer. It may be suggested to the actuary to provide a scheme in which half the costs of the unified scheme are borne by the Exchequer and the other half divided between employers and workpeople.

It is not necessary here to ask who ultimately bears the burden of these charges. It is sufficient to realize that no Chancellor of the Exchequer would to-day give up the revenue he obtains for this purpose from employers and workpeople.

Once it is introduced a comprehensive scheme of social insurance to be paid for in this way will have to be judged, like the taxation system itself, as a whole. It is futile to point out that the workman will in future be obliged to pay towards his old age pension, which he now receives on a non-contributory basis. It will be equally absurd to say that the employer will then be called upon to pay towards the burial of the workman, although to-day he is free from this liability. It will be misleading to say that the State will have to contribute towards the cost of workmen's compensation, although it is not called upon to do so to-day. What we have to ask is this: Taking into account all the different charges for social insurance and public relief now borne by employers, workpeople, and the State, and taking

¹ Discussed in Essay II.

also into account public opinion on this subject, what is the share that ought to be provided by each of the three parties to the modern wages contract? The system as a whole will be a contributory one, and, taken as a whole, the workpeople will gain substantially. All the payments will be made into the one central fund, and that will also be the source of all the benefits.

It is desirable, in working out such a scheme, to deal with two problems in social insurance which have hitherto been shirked in this country—to make benefits vary with wages, and to make such provision by way of insurance that the Poor Law does not have to continue as a final safeguard against undue distress.

Where a flat rate of benefits is maintained, the rate is controlled by the wage-rate of the lowest-paid workman. Thus, if workmen when employed earn 35s. a week, it is impossible to give them more when unemployed, and it is thought desirable to give them less. Thirty shillings a week would be a large sum to such a workman, but wholly inadequate to one who usually earns £4 or £5. The scale of benefits is calculated to suit the conditions of the low-paid labourers. This, however, results in inadequate benefits for the better-paid workmen. A graduated scale of benefits is, therefore, often demanded. In spite of the admitted difficulties we cannot be satisfied with the view of *The Economist*¹ “that nothing except a national scheme at a flat rate is practicable,” or the similar view of the National Confederation of Employers’ Organizations that “the whole industrial population should stand together upon a uniform basis.”

Three ways have been suggested for securing a graduated scale. One is provision of additional benefits to the high-wage workmen by means of supplementary schemes of employers and workpeople or by other voluntary associations. Experience of other forms of voluntary insurance, and especially of schemes involving employers and employés, suggests that little is to be effected along these lines, although experiments may be desirable.²

¹ See issue March 1, 1924.

² Where such supplementary schemes exist, there is frequently a desire to administer in addition the main scheme. Such a development is entirely objectionable. (See *Insurance by Industry Examined*, ch. ii.)

Two other methods, much more promising, can be attempted. Either benefits may be calculated as a percentage of the normal wage of each workman, or all workpeople can be assigned to definite wage groups, paying their contributions according to their group, and obtaining corresponding benefits. The second method has been successfully attempted in the scheme of invalidity pensions in Germany and of sickness insurance in Czecho-Slovakia. It should, however, be noted that the contribution made by the State ought in equity to be the same to all wage groups. Otherwise workmen who need it most will receive least. It is because this problem, the provision of adequate benefits, has hitherto been shirked, that recourse has been had to Poor Law relief to supplement them.

It would also be possible to provide benefits in case of any of the emergencies covered under this scheme for as long a period as the emergency lasted. Benefits limited to a given period have two objects in view: the lessening of costs to the fund, and the lessening of the likelihood of malingering. If, however, the machinery to prevent malingering is adequate, benefits could be granted for the duration of the emergency provided that the extra costs can be found. Certainly, the inadequate available statistics show that the fringe of insured workpeople who in normal times are constantly obtaining and falling out of employment is very small. And taking all the emergencies together, the cost of contributing benefits as long as the emergency lasted would not be so much more than at present as to make it impracticable. Moreover, it should be noted that our present arrangements involve merely a transfer of charges from the insurance fund to the poor rates. Only a few of those who exhaust their right to benefits will refrain from claiming Poor Law relief, and even where they do refrain because of the stigma still attaching to it, the effects cannot be regarded as desirable.

There is, however, this advantage attaching to the insurance method over the Poor Law method. It can be combined, and is likely to be combined sooner or later, with a scheme for re-training, rehabilitating and placing inefficient workpeople. In the case of unemployment it was originally contemplated that the Labour Department of the Board of Trade (now the Ministry of Labour) would act—

“as a kind of intelligence bureau, watching the continual changing of the labour market here and abroad, and suggesting any measure which may be practical, such as co-ordination and distribution of Government contracts and municipal work, so as to act as a counterpoise to the unemployment of the labour market, and it will also be able to conduct examinations of schemes of utility so that such schemes decided upon by the Government and the Treasury can be set on foot at any time with knowledge and consideration beforehand instead of the haphazard hand-to-hand manner with which we try to deal with these emergencies at the present time.”

This larger policy has not yet matured, but there is little reason why it should not do so.

It may be agreed at once that in the past there has been sufficient suspicion of State organization of social activities for a policy of this kind to be regarded as quite impossible. And especially was that suspicion harboured by employers. But to-day this is changing even more rapidly than the most sanguine dared hope. This is well brought out in the Report on Unemployment Insurance, published early in 1924 by the National Confederation of Employers' Organizations. It proposes actually an extension of the powers of Employment Exchanges. Let us quote its own words :

“It may be that industry is not yet prepared for the compulsory notification of vacancies to the Exchanges, or the compulsory registration of workers at the Exchanges, even although they are not in receipt of, or qualified for, insurance benefit. There is still a suspicion on the part of workers on the one hand, and managers and foremen on the other, that somehow the engagement of workers cannot be so efficiently carried out through the Exchanges as by the direct efforts of workers and employers. Engagement through the machinery of the Exchanges need not lessen in any way the direct contact of employers and workmen, but the feeling referred to is so widespread that it can only be corrected gradually by time and experience. There is no reason, however, why firms should not be obliged to intimate to the Employment Exchange, within so many days, the engagement of any worker they take on. In the case of casual employment there would need to be a special arrangement.”¹

¹ This report, which was unanimously adopted, may be said to mark a distinct stage forward in the development of State management of social activities, and it is interesting to record that the original committee responsible for it included such leading industrialists as Lord Weir, Messrs. Evan Williams, Lithgow, Roscoe Brunner, Milne Watson, and Sir Andrew Duncan.

In view of what is generally termed "the breakdown of the Poor Law," it is urgently necessary to inquire whether social insurance cannot be so developed as to make its abolition feasible. Certainly, to revise the Poor Law in conformity with the Minority Report of 1909, or of the Maclean Report, both of which show no sufficient appreciation of the significance of social insurance, would be a retrograde act, which might need to be withdrawn later. People may perhaps be prevented from falling into destitution if we complete and improve our scheme of social insurance. Certainly their risk of doing so can be very greatly lessened.

Nor is the advent of a Labour Government to office without significance in this connexion. Such groups of workmen as felt that they could not entirely trust State officers who were under the instructions of unfriendly ministers, may now come to regard Government control or supervision with greater favour, and as likely to be administered more in their interests.

Is the workman as certain of his benefit in the case of State funds as in the case of private company insurance? An answer to this question involves two considerations: is the insurance fund safe? and is the workman certain to have his proper claims satisfied? Here it may be said at once that the best British insurance companies are almost as safe as the Treasury itself. The policy of conservative investment of funds, and of huge reserves, the legislation enforcing "freedom with publicity," the honesty and soundness of administration, the advanced stage of the study of actuarial science, all have been factors in guaranteeing the solvency of insurance companies. And yet, occasionally, companies do fail. Moreover, unless employers are compelled to insure, workmen may not be able to obtain full satisfaction from small employers in the case of industrial accidents.

It has been frequently stated by managers of the best insurance companies that although they regard it as undesirable zeal, they cannot always prevent their agents from making a "good" settlement for the company, and, in consequence, an unduly bad one for the workman. Insured persons will thus be induced frequently to take a smaller sum than they have a right to, and either through ignorance or inability to press their claims, will agree to an unfavour-

able settlement. On the other hand Government officials have little or no inducement to adopt this attitude, and, of course, State funds are as safe as human intelligence can make them in a fluctuating world.

Insurance companies are frequently charged with delay in meeting claims in cases of industrial accidents and death. Where litigation results from disputed claims the machinery of the law courts even aggravates this slowness. On the other hand, Government agencies are prompt in making payments, both in the case of old age pensions and of unemployment insurance. Indeed, the prompt payment of unemployment benefits to over a million claimants weekly for years has been an amazing achievement of administrative efficiency. The impersonal character of State insurance has advantages. Its speed, its certainty, the absence of any motive to make good bargains, make it obviously superior to privately organized insurance companies working for profits.

The advantage of a State monopoly of social insurance over that of voluntary insurance is seen clearly in the case of lapsed policies. Where contributions are voluntary, transference of policies from one company to another and the consequent stopping of payments are likely to be common. In the latter case, whilst the insured have a right to a refund, few know that it exists, and even fewer know how to enforce it. In the past huge sums have accumulated in the insurance funds from this source, which have accrued to the companies. If, however, there were a State monopoly of social insurance and contributions even remained voluntary, the lapsed policies would not lead to their present abuse. This is shown by the experience with Post Office assurance arrangements. Those who stopped payment would obtain a return of a fair share of the contributions paid in, and unclaimed sums would go to enhance benefits.

Our final consideration relates to the neglect of insurance companies in this country of the encouragement of "safety first" devices, or indeed to any means of lessening industrial accidents and diseases. Little attempt has been made to encourage the use of "safety first" proposals by advertising lower rates of contribution for establishments which adopted them. It is commonly held that "undertakings in which

the sanitary motive largely enters should be operated by the public." The cases where human life is affected quite as much should similarly be under public operation. This is made stronger by the consideration that the Government factory inspectorate will be directly attached to other Government officials interested in the same group of problems from a different angle. A unified policy for prevention of accidents, for proper treatment of the wounded and sound schemes of rehabilitation needs to be carried through. But the Government Health Insurance scheme needs to pay much more attention to the development of the proper devices for reducing the causes of ill-health than it has hitherto done. A proper department, with the necessary financial support, has a greater chance of achieving desirable results than a number of bodies working along the same lines independently of one another.

STATE INSURANCE VERSUS PRIVATE INSURANCE

There are certain characteristics attaching to insurance against industrial accidents and burial insurance which have long made their public control essential. But the existing control through the publication of accounts, and even the proposed limitation of profits, is not satisfactory. The choice of policy lies, therefore, now between the continued public control of private insurance companies operating voluntary insurance, and the public operation of a compulsory scheme of insurance covering these emergencies. Compulsion is in a sense the "necessary corrective to the thriftlessness inherent in human nature." It is, in fact, an act of liberation from the bondage of unemployment, illness, and old age.

The case against private insurance seems conclusive. Where a Government passes legislation which, in effect, practically obliges employers to insure against industrial accidents, it cannot allow private organizations to make excessive profits out of the business, and it is obliged to stop high administrative expenses if they are incurred. Similarly, where burial insurance is paid for by large masses of the working people, to the extent of fifty million policies in one year, the Government is obliged to take note of the profits and the administrative expenses involved. The effects of public

control under these circumstances, the limiting of profits and of administrative charges with a view to an increase of benefits from given contributions, are undesirable. Constant interference in detail with the affairs of a private organization and the limitation of its profits are likely to discourage the introduction of economies, since the administrator will have no interest in effecting them. The incentive to private profit will thus be restricted, whilst at the same time no impulse to public service will be awakened in its place. Moreover, this policy involves considerable duplication of investigation, book-keeping and accounting, and consequently is wasteful. Government officials are obliged to check the accounts of the companies presented to them, and, if only to justify their existence, criticize and search out minor abuses, with the result that they produce friction and undesirable litigation. To the vast bureaucracy of large insurance companies will thus be added a batch of Government accountants and inspectors, in this way again raising the costs of this form of insurance.

Let us assume, what few will cavil at, that the efficiency of management of a Government Department is likely to be the same as that of the large joint-stock insurance companies.

In view, however, of the difficulties of and objections to regulation, it has been urged that it would be socially more desirable if the public authorities themselves operated all branches of social insurance.

There are a number of important reasons for holding that public operation of these measures of social insurance is more desirable than public control, provided that a compulsory measure of insurance is substituted for the present voluntary machinery. Compulsory insurance against industrial accidents and for burial costs are urged because only in this way can security be achieved. Experience shows that some employers and many workpeople will not insure unless they are obliged to do so. There can be little rediscussion of the principle of compulsion, since it has been conceded in the case of health and unemployment insurance. Society imposes it upon all, otherwise the fellow-men of those who suffer these emergencies will be obliged to bear a large part of the burden in an inconvenient form and at undesirable periods. It is unsocial, or at least neglectful,

to impose such a risk on your fellows, who in self-protection force the development of these social activities.

Certain advantages follow from the fact of compulsion. Administrative expenses can be substantially reduced. The stamp method of collecting contributions is very much cheaper than that of the method of agents going round to the houses, whilst the taxation or pension method is even cheaper than the stamp method. But both stamp and taxation machinery are denied to private companies. It should be made clear that the Government operation of a compulsory scheme of insurance does not involve merely the taking over of the ownership and the management of businesses with a view to carrying on their functions substantially in the same way as is done by the private insurance companies. When the telephones were taken over by the State, we were not all compelled to have telephones in our homes. If the coal industry were nationalized we would not be compelled to buy State coal. We might prefer a substitute. But if workmen's compensation insurance and burial insurance were taken over by the State, these services would be compulsory on the whole insurable population. The very nature of the business is thus changed. The adoption of compulsion and the different method of raising contributions would result in a lowering of administrative costs of between 30 and 40 per cent. in these businesses. National compulsory insurance would free the workman from the existing bad schemes of insurance.

Let us now tabulate the ratio of administrative expenses to revenue for the different branches of social insurance.

Both old age pensions and unemployment insurance are administered through Government agencies, the former through the Inland Revenue Department with payments through the Post Office, the latter through Employment Exchanges.

	Per cent.
Old Age Pensions	3.5
Unemployment Insurance, including also cost of placement work and collecting statistics	8.3
Health Insurance, which is administered by ap- proved societies under the supervision of the Government	13.0
Workmen's Compensation Insurance organized through insurance companies	50.0

	Per cent.
Industrial Insurance organized through collecting societies	43·6
Industrial Insurance organized through insurance companies	41·9
Industrial Insurance, through the Post Office Life Insurance Business	about 5·0

What is the experience of other countries in this connection? Let us compare different types of machinery where the same emergency is insurable. The United States Department of Labour, after an investigation of the different types of organization engaged in administering workmen's compensation insurance, commented as follows:

"There has been much discussion as to the relative merits of different types of insurance. The Department of Labour recently completed an investigation upon the subject. The result of this investigation showed that the State funds could operate cheaper than either the mutual or stock companies. In fact, the average exclusive State funds can do business about 25 to 30 per cent. cheaper than the average private stock company. There is considerable variation in the quality of service furnished by the several State funds. However, comparing the State funds as a whole with the private companies as a whole, it was found that the State fund furnished slightly better service than the private companies. As regards security, State funds are on a par in this respect with private carriers. Thus far no injured workman has lost his compensation because of the insolvency of the State funds, nor has any large mutual company become insolvent. On the other hand, there have been several disastrous failures of private stock companies during the last three or four years. These failures have resulted in hundreds of thousands of dollars in unpaid claims." ¹

Dr. Royal Meeker, formerly United States Commissioner of Labour Statistics, whilst holding that there is much truth in the allegation that public officials are incompetent, holds that

"no trustworthy data as to the cost of State insurance as compared with private insurance has ever been worked out. From such data as exist, however, it appears that the premium rates under true social insurance could be increased 50 per cent. because

¹ U.S. Department of Labour. *Monthly Labour Review*, December, 1923, p. 164.

of incompetence and extravagance in administration and yet leave a margin in favour of social insurance as compared with private, competitive, profiteering insurance.”¹

The American Federation of Labour appointed a special committee recently to inquire, *inter alia*, into “the activities of insurance companies in preventing the establishment of State insurance funds to carry the risks arising out of industrial employment.” It reported that

“the private companies are active in their opposition to Workmen’s Compensation and retard the progress of State insurance fund legislation. They are powerfully organized, and naturally seek to retain for themselves the business of selling Workmen’s Compensation Insurance. It is a question of business and profit to the liability insurance companies.”

Only in seven States have exclusive State insurance funds been established; in thirty-two States employers are permitted to insure in private insurance companies, i.e. in mutual and joint-stock companies.

It is highly significant that the American Federation of Labour, generally regarded as very jealous of Government control, is now growing to be of the opinion that workmen’s compensation insurance should be provided only by the State insurance funds.

But what, it might be asked, could be expected from a Government Department in the way of experiments with new devices, and in taking risks? These may be regarded as acid tests of whether given industries would be more efficiently run under competitive conditions or under State monopoly conditions. It suffices to recall that the principles of insurance business are well known and understood and hardly any improvements of practical significance are to be expected. What experiments in “workmen’s compensation insurance” or in burial insurance can the private companies attempt? These are not undertakings which involve speculation or require risk. They are not “a venture upon unknown seas.”

How, then, can private enterprise take more risk than the Government in a matter of this kind? The only significant change in the administration of these services

¹ National Conference of Social Work *Proceedings*, 1917, pp. 528-35.

within recent years is the gradual introduction by the "Prudential" of the block system to reduce some of the colossal waste involved in the existing mad competitive rush of agents from house to house. Some seventy thousand agents have induced almost every householder in the country—certainly a vast majority of them—to purchase on an average nearly two policies for each member of the family, some fifty million in all in the year. Twenty agents will frequently enough call in the same street, representing, perhaps, ten or more companies. Four agents from different companies will sometimes call at one house, and even four agents from the same company will call on the same house, because each agent has a proprietary right in his clients. The block system will restrict the number of agents from any *one* company calling in a given area. It will not, however, restrict the agents from other companies. Indeed, all the insurance companies can attempt is to lessen slightly the anarchic methods of obtaining business which have grown up.

The next consideration relates to the existence to-day of Government machinery for administering social insurance. When insurance against workmen's compensation liability was first instituted, this was not the case. Private insurance companies satisfied a need, although their administration was expensive and charged with many abuses. To-day it can be done better by existing Government machinery.

It is interesting to recall that Mr. Asquith, in the debates before the Old Age Pensions scheme was enacted, urged the acceptance of a non-contributory proposal on the ground that there was no existing Government machinery to enforce a contributory measure. But all this is now changed; the Government has a comprehensive national system of Employment Exchanges which could, with comparatively small changes, administer all branches of social insurance. Further, it should be noted that it is likely that the administration of a number of schemes of insurance through the same machinery would tend to make their administrative costs less.

There is still another aspect of this question which recent experience shows may come to the aid of the politician endeavouring to eliminate the great variety of organizations now dealing with measures of social insurance. Trade

unionists are hostile to the development of employees' approved societies for purposes of administration of unemployment. This is maintained in a recent report on "Social Insurance and Trade Union Membership" of the Joint Research Department of the Trades Union Congress and the Labour Party, where it is argued that Labour remains inflexibly opposed to approved societies undertaking unemployment insurance administration. They declare that

"unemployment insurance is not, and cannot be, the appropriate work of an approved society or of any other organizations formed for a purpose totally unconnected with the industrial organizations of the workers."

The National Confederation of Employers' Organizations in its recent report on Unemployment Insurance urges that

"both on financial grounds and in the interests of the efficiency and usefulness of the Employment Exchanges as the administrative machinery of the Insurance Fund, they should be the sole administering authority and there should be no concurrent or partial administration by any other organization."

Thus they would eliminate both trade union and employers' organizations.

To this the Trade Union Congress report replies :

"Whether regarded as a protective measure against unemployment or as an integral part of the organization of labour supply, unemployment insurance remains essentially a function of the Trade Union Movement."

It may be conceded that the long association of trade unions with the provision of unemployment benefits gives them a vested right in this form of insurance, and that therefore they stand in a stronger position than the approved societies or the insurance companies administering other forms of insurance. Whatever principle is applied to these organizations in an attempt to simplify the administration of insurance in the interests of the workmen they may be willing to see applied also to trade unions, whether it be legislative pressure forcing them out of the business with compensation or without compensation.

To the friendly societies, trade unions, private companies and other associations now interested in these

activities, the State has the right to point out that their original object in organizing special schemes of social insurance for their members was to aid them in times of emergency. When that same purpose can be effected better through the agency of the State it is unsocial and against their members' interests to stand in its way. Nor is it entirely without significance to recall that before they became agents of the State in its extended schemes of social insurance the approved society membership did not include more than a third of the wage-earners, that their funds were frequently bankrupt, and that their organization was often inefficient. Similarly, it was workmen's compensation legislation that was responsible for the development of the business of insurance against industrial accidents. What the Government has given, may not the Government take away?

It is not desirable, perhaps, to interfere with the free associations of workmen operating to help themselves. But if it can be shown that the case for such interference is proven, would it not be as wrong to ignore the true interests of the plain people? Further, even if insurance were no longer administered by these associations, they could concentrate on their other activities. They could even give supplementary benefits if they were determined to retain this function. On the other hand, workmen through their own associations should be encouraged not merely to advise in the administration of the Government Social Insurance Office, but also to exercise considerable powers of control.

The difficulties involved in introducing a complete State sound insurance scheme will be enormous, and perhaps the statesman who attempts it may be driven to repeat the words of Lord Shaftesbury: "It is not wonderful, though sad, when we remember the interests that it has been our duty to approach and handle." He may be heartened, however, to recall that with the first Public Health Act of 1848, "the monopolists who supplied water and other necessities took alarm." It is indeed to be expected that it will rouse all those who are against the extension of State development of social activities, and the bitter hatred of those who fear nationalization of industries. The inefficient approved society officials will

resent having to work as Government officials. The officials in Government Departments may resist being taken over by a new Department of State. The insurance companies are powerful and experienced in politics, and determined enemies of any such change. They oppose the existing controls and resent being reminded of the contrast between their premium expense ratio and those of Government organized schemes of social insurance. They will fight the exposure of their incompetence, selfishness and unintended cruelty. But we must note that, if vested interests are adamant, a greater vested interest is the right of the worker to the protection of the State. Moreover, shall financial interests have the power to prevent the establishment of the national ideal, the national minimum and its corollary security, during emergencies?

THE FINANCING OF THE NEW SCHEME

An amalgamation of existing schemes can be made without increasing the amount spent. Similarly, the proportion of the costs now borne immediately by the State, the workpeople and the employers, could be kept practically the same if it were desired. It would, for example, be a comparatively simple problem for the actuaries to work out a unified scheme costing the same amount as our existing schemes, in which the costs were shared equally between the three parties interested in the wages contract. They would be able to calculate exactly how much should be paid by each insured workman. Now, while most of these problems of cost must remain questions for the actuary, there are a number of general considerations which will guide the statesman who instructs him.

Recent experience indicates that our legislators are prepared to increase the State contribution to insurance. Some fifteen millions are to be found in order to remove the "anti-thrift" qualifications for old age pensions and some twenty millions are promised for a modest scheme of pensions for widows and orphans. An additional expenditure by the State of thirty-five millions is thus to be expected within a short period. This, taken together with the existing fifty millions spent annually by the State, would suggest that its share of any revised scheme should be about

half of the total cost. Seeing that it will have control of its administration, it would seem only proper that it should contribute more than either employers or workpeople provide directly. We have seen also that administration through insurance companies is extremely inefficient and costly. Administration of burial insurance will be carried out by the State at a rate cheaper than old age pensions, because the fact of death will be so much easier to establish and malingering will not arise. It will be done at, say, 2 or 3 per cent. This will lead to an annual saving of about £14,000,000. Workmen's compensation will be more difficult to administer, but easier than health insurance, and therefore may be estimated at about 5 or 6 per cent. This will lead to a saving of about four to five millions a year, making a total saving in administration of about nineteen millions.¹

Another important source of revenue is to be found in the existing Unemployment Insurance Fund. Assuming that we emerge from our present depression and the rate of unemployment falls to its average in pre-war years, and assuming also that we retain the present rate of contributions and *benefits*, then there would be an annual surplus of about twenty-eight millions.

If, as is proposed, the emergencies covered by a comprehensive unified scheme of social insurance will include non-industrial accidents, unprovided widowhood and orphanhood, and more adequate provision is made for the reduction of emergencies and for the grant of larger insurance benefits in all cases, it is safe to estimate the saving on the Poor Law to be at least eighteen millions per annum. We should add also the sum of £300,000 per annum, which in time will amount to £1,000,000, the cost of a refund of contributions paid by workmen under the Unemployment Insurance Act who at the age of sixty have paid in excess of the amounts that they have drawn in benefits.²

¹ The whole costs of a modest scheme of widows' and orphans' pensions could thus be raised by transferring the administration of burial insurance and industrial accident insurance to the State.

² The Unemployment Insurance (No. 2) Bill, April, 1924, proposes that the refunds to persons at the age of sixty provided for by the earlier Acts be abolished, subject to provisions as to valid claims maturing within twelve months and the prospective rights of contributors aged sixty or over.

By tapping these various sources, a Chancellor of the Exchequer can raise :

(1) From the Treasury.	£35,000,000
(2) From gains in administration . . .	19,000,000
(3) From Unemployment Insurance Fund	28,000,000
(4) From Poor Law surplus, to be transferred	18,000,000
(5) Abolition of refund under U.I. about	500,000
	<hr/>
	£100,500,000

Against this enormous sum needs to be placed the cost of compensating the vested interests.

It seems clear that the money for a greatly developed scheme can be obtained. All the items, excepting the first, amounting to sixty-four millions, can be got from the saving in administrative expenses and by transfers from existing funds. We could find the money for providing not only pensions for widows, old age pensions at 70 without a means limit, adequate provision for non-industrial accidents, raising the maternity benefits to at least the level provided for by the Washington Convention, medical treatment to all members of the family, including proper hospital service, but also for increasing the money payments substantially.

A STATE COMPETITIVE SCHEME

A modified policy with the same object is, however, possible. The Government might say, whatever may be desirable, and even ultimately practicable, is not so pressing as the question of what is possible to-day. Clearly, if we can avoid dealing with the abolition of administration through trade unions, friendly societies, and collecting societies, the opposition of these bodies will be to some extent allayed. Nor is a direct assault on the administration of workmen's compensation and burial insurance through the insurance companies likely to be popular with practical politicians with a shrewd eye to allies at elections, however strong the case for nationalization may be.¹ What can be done without rousing these lions in the path? Can the same

¹ Why are politicians so timorous? In years of inquiry the Author has never found anyone prepared to justify the existing abuses resulting from the existence of competitive insurance companies.

object be achieved gradually? Can unity of insurance be given a definite meaning without our tackling these thorny tasks? The simple answer is, yes. A State competitive scheme can take the place of a State monopolistic scheme. Indeed, much more can be achieved along this road than is commonly supposed.

First: it is possible to extend our compulsory schemes of insurance to cover pensions for widows and orphans as well as non-industrial accidents, and grant medical benefits to women and children.

Second: it is possible to administer all branches of State insurance, unemployment insurance, old age pensions, pensions for widows and orphans, insurance against non-industrial accidents, and sickness benefits, through the Employment Exchanges, transformed into social insurance offices with the appropriate administrative machinery.

Third: it is possible to have three additional branches of voluntary insurance carried on by these offices, viz. voluntary insurance by employers against industrial accidents, voluntary provision by employes for health insurance, and voluntary arrangements by workpeople for burial insurance.

It is proper to recall here that for two out of three of these emergencies the State does provide voluntary insurance through its own machinery. Thus in the case of health insurance there is "the deposit contributor," and in the case of burial insurance there is the Post Office scheme of industrial life insurance. Unfortunately Government policy in the past has frowned upon these activities. The deposit contributor, i.e. the contributor who fails to insure through an approved society, is shabbily treated. The scheme is not one of insurance at all; it is a form of forced saving. If his contributions amount to, say, £5, he can draw up to that amount in cases of illness, but no more, whilst a member insured through an approved society who had paid the same amount in contributions could draw his 15s. a week for twenty-six weeks as well as receive his medical benefits.

Similarly, there is no attempt to force burial insurance, now purchasable through the Post Office, into actual competition with private insurance companies doing the same business. Thus when the Post Office representative was asked by the Parmoor Committee:

“Is it the object of the Post Office to push this insurance business as far as they can?”

The reply made was:

“I think it has always been held by the higher authorities that it is not our business to go out into the open market to compete with the companies for profits. They have looked at this matter rather as a trust than as a trade, I think, and it has never been held that it is our function to employ canvassers or to take up any direct action in that way against the companies.”

The substantially higher benefits obtainable from the Post Office for the same weekly premium over those obtainable from insurance companies do not attract customers, because they are hardly known.

These two schemes need to be amended on grounds of equity, to secure a more efficient administration apart from their significance as paving the way to a unified scheme. The deposit contributor ought to be given conditions of insurance at least as favourable as is provided to members of approved societies, and the body running the deposit contributors' fund ought to be allowed to use all the same methods and devices for obtaining members. Also the Post Office ought to be free to use every means to make its burial insurance better known and more acceptable.

Only in the case of workmen's compensation will the State need to introduce an entirely new fund, but here the case for a State fund is very strong. The very high administrative expenses of this form of insurance, the needless and costly litigation, the complete neglect of prevention, show that insurance companies are bad stewards of this business. Moreover, the experience of other countries shows that much can be saved to the State by introducing a State Competitive Fund.

Of course, all these three funds would in future be administered through the State Social Insurance Office.

Two main considerations will guide the legislator who is anxious to work gradually towards a unified, simplified system of social insurance. State voluntary insurance will be run with the object of providing a better and more popular service than that provided by insurance companies run for profit. No legislation will be passed whose indirect effect would be to strengthen the position of these non-

Governmental agencies. In the branches of voluntary insurance organized through the State social insurance offices, every legitimate effort will be made to run them as cheaply and as efficiently as possible with a view to making them cheaper and more popular than private insurance. To-day, as we have seen, the policy seems to be the reverse of this.

Of course, the necessary measures would have to be taken to ensure that the State did not have an unfair proportion of bad risks in the voluntary funds, or its scheme would be seriously handicapped.

Let us note but four ways in which the State may, unless it guards against it, increase the growing power of approved societies and insurance companies, and thus delay the development of a unified system of social insurance. An increasingly persistent demand is being made that the families of insured members, as well as those actually insured, shall receive medical insurance benefits. Such an extension of services, involving as it would increased contributions from the workpeople and larger subsidies from the State, would strengthen the position of approved societies, if it were administered through them. Their reserves, their offices, their officials, their "membership," would all increase, and in consequence their power to dictate to the doctors and to the Ministry of Health.

In the case of workmen's compensation, compulsory insurance of all employers of a small amount of labour is advocated by many as a means of avoiding the evils arising from the inability of small employers to meet their obligations when industrial accidents occur. But clearly the extension of business arising from this measure would result in increased profits to the insurance companies and increased vested interests.

In the same way any addition to the benefits provided as a result of Governmental legislation either for health insurance or for workmen's compensation,¹ would result

¹ Sir William Beveridge is opposed to handing over the administration of mothers' pensions to the "approved societies." But he seems to be willing to let them administer workmen's compensation. This appears to be somewhat arbitrary. If the "approved societies" are to be encouraged they should administer both. If they are not to be encouraged they should administer neither scheme.

in enriching the agencies that administer them and in making their officials more powerful. Even the extension of compensation to non-industrial accidents, and health benefits to the non-employed members of society, must be sought through State machinery, and not be allowed to become a branch of the work of the existing organizations running workmen's compensation insurance.

Such a policy, if adopted, would in effect make it evident that the State must be supreme in dealing with problems of social insurance, that its schemes are to be preferred, and that other bodies are secondary to it.

It might be added here that there is no harm and very great good, from the point of view of administration, in improving our existing Old Age Pensions scheme, and in introducing widows' and orphans' pensions or insurance, at once, independently of a unified scheme, provided that *their administration is carried out through Governmental agencies*. If, however, the new form of insurance were administered by non-Governmental agencies, its effect would be to delay the unification of our schemes of social insurance.

This proposal is not made without relation to what is being done in other countries. Indeed, it is suggested by their experience with one branch of social insurance, that of industrial accidents. In Italy, Holland and Finland the employer is responsible for the provision of compensation in cases of accidental injury, and is required to insure against this risk in certain recognized private insurance companies, or in a State institution, or to furnish a guarantee sufficient to cover his responsibility. Compulsory insurance is accompanied by a choice of insurance organization. In Norway, Switzerland and Luxemburg, employers are obliged to insure in State funds, whilst in Germany the application of the law is entrusted to mutual associations (*Berufsgenossenschaften*), in which employers are obliged to insure. What conclusions can be derived from American experience?

In the United States of America each State passes its own workmen's compensation legislation, and provides for its administration. Experience of all types of insurance carriers are to be found. of joint-stock insurance companies, employers' mutual insurance companies, monopolistic State funds, and competitive State funds. Mr.

Miles N. Dawson, the well-known American actuary, made official investigations of the State insurance funds for workmen's compensation in the three States of Ohio, Pennsylvania and New York. He wrote :

“ How great the economies of the State funds were found to be, as contrasted with the wastefulness of commercial companies (whose commissions to agents alone amount to $17\frac{1}{2}$ per cent. of the premiums collected), may be seen at a glance from the following :

RATIO OF MANAGEMENT EXPENSES TO PREMIUMS

	Per cent.
Commercial Stock Insurance Companies	. 35-40
Pennsylvania State Fund (Competitive)	. 9
New York State Fund (Competitive)	. 6.2
Ohio State Fund (exclusive)	. 1.625

Thus, in the case of competitive State funds, i.e. where the State funds compete with those of private insurance companies, it is able to win out on its merits. Mr. Dawson's investigations received strong support, as we have seen, from an inquiry undertaken by the U.S. Bureau of Labour Statistics into workmen's compensation administration in twenty-one States and two Canadian Provinces. The conclusions arrived at were as follows :

“ The average expense ratio of stock companies is approximately $37\frac{1}{2}$ per cent. ; of mutual companies, about 20 per cent. ; of competitive State funds, about $12\frac{1}{2}$ per cent. ; and of exclusive State funds, from 5 to $7\frac{1}{2}$ per cent. ”

One reason for preferring this method of competitive State funds is that it avoids the always difficult problem of estimating the ransom to be paid the bodies which are to be taken over by the Government. It is true that the State could easily take over the funds and administer the reserves of the friendly societies, but what fine should be paid profit-making companies administering workmen's compensation ? Compensation would be necessary to satisfy the rights of property and the “ legitimate expectations ” of those who had invested in them. Even worse, perhaps, would be the position of about one hundred thousand employés ; there are seventy thousand agents doing industrial insurance, not more than a small proportion of whom would be required

in the Government service. How compensate them? It is not very helpful to point out that in introducing the block system one or two insurance companies are actually slowly reducing their staffs,¹ and that the State would certainly be more generous to those whose services it did not require. Their dismissal would constitute a serious and painful problem for any Government which dared attempt it.

The introduction and working of really effective competitive State funds would have the effect of *gradually* taking over the business from the other bodies. Adjustment would be slow. Collectors would find work elsewhere because they were not getting business. The experience of the United States and an analysis of the advantages of State social insurance over private administration explains why it is reasonable to assume that in this country, too, the State voluntary fund would thrive to the discomfort of the insurance companies.

CONCLUSIONS.

Legislators in this country have long prided themselves on being practical, and in view of the frequently baneful influence of the one doctrine which ever really got a hold of them and affected their outlook, that of *laissez faire*, few are eager to advise the renunciation of the national method of dealing with evils only as they become clamant. This method carries with it, however, obvious dangers and difficulties. A medley of authorities, a chaos of machinery, inevitable overlapping with its consequent costliness, the occurrence of gaps, the application of contradictory principles, no understanding of the underlying unity, these are some of the undesirable effects of such a procedure. The national method of piecemeal legislation works only if closely related measures are completely unified and codified from time to time. That is the stage now reached by the social insurance measures in this country. But the various schemes can never be properly reorganized and anomalies removed until they are systematically

¹ The Prudential reports significant reductions in their expense ratio, which for the last four years have been as follows: 1920, 40·50 per cent.; 1921, 36·92 per cent.; 1922, 32·12 per cent.; 1923, 29·74 per cent.

surveyed, and underlying principles are developed on which to base future action. No single Ministry, neither the Ministry of Labour, nor the Ministry of Health, nor the Home Office, nor the Treasury, working alone, can put us on the way to the solution of these difficulties. What is needed is a comprehensive technical investigation of the whole problem of social insurance as a unified whole. A Royal Commission is needed to make this survey of the whole field of social insurance, which includes problems affecting at least half a dozen Departments of State. Such a body alone is competent to decide what is the most practical and most efficient scheme possible.

Let us in the meanwhile summarize the main considerations which emerge from this brief inquiry.

We have now in Europe about half a century of experience in Governmental schemes of social insurance and over a century of experience in voluntary schemes. But progress has been greater in this country during the last decade because there has been the working of a number of Governmental schemes of pensions and insurance to guide us. Old opinions need to be revised in the light of these developments. Neither the Government nor the employers nor the workpeople themselves have fully grasped their significance. The proper functions of friendly societies, trade unions and insurance companies must be reconsidered.

State organization of insurance has achieved a signal success against the emergency of unemployment, which only fifteen years ago was universally regarded as uninsurable. State organization of all branches of social insurance would not indeed to-day be "the rash experiment" the National Insurance scheme was held to be in 1911. Moreover, it would be a reasonable and desirable development in the light of that success. We have now a Civil Service highly competent, efficient and devoted, trained in this business. We have years of experience. Above all, there is the great need for the consolidation and unification of our present arrangements, which are a patchwork of many pieces and varied colours. It is not unduly optimistic to look forward to the solution of the problems of emergencies in the life of the workman's family. For the first time in history a country may undertake to guarantee, under conditions which will prevent the scheme from

being reckless or likely to break down, a national minimum not only when the workmen are employed, but also when they are unemployed, not merely when they are healthy, but even when they are too ill or otherwise incapacitated for work. An excellent opportunity is presented to this country to give the working-classes a real sense of security. A measure to effect this would afford a substantial lead in social reform to all countries. No wonder that Mr. Sidney Webb once wrote that—

“ the systematic co-ordination and completion of social insurance in respect to all the contingencies of the wage-earner's life is one of the greatest political problems of the century.”

Nor would a mere codification or mechanical merging of our existing legislation dealing with the subject be enough. What is needed is both an increase in the number of emergencies covered and a complete fusion of all the schemes into one scheme. A national system of social insurance offices could be developed from the existing Employment Exchange machinery for its administration. Two possible plans for achieving a unified system of social insurance have been outlined. In both cases efficient administration could be achieved and, of course, the basis of contributions and benefits would be made to be equitable.

What then would be the advantages of a unified treatment of these social emergencies ?

✓ First : the problems of social emergency will be made to stand out prominently. When huge sums are seen to be spent annually in dealing with them, it is impossible to believe that the question of their prevention will be ignored or neglected.

Second : there will result huge administrative saving, not merely because the same machinery can be used for the different emergencies, but because the present wasteful methods of agencies and competitive companies in tasks for which their organization is no longer necessary will be eliminated or will be on the road to elimination. Insurance will, therefore, be provided cheaply.

Third : the workman will have dealings with one body only if he elects to do so, and in any case with a lesser number of bodies than to-day, and he is more likely to

know what are his rights and how to claim them and make them effective.

Fourth: the existing anomalies, e.g. where industrial diseases are treated by one type of machinery with certain principles of administration, and ordinary ill-health by a different machinery run on other administrative principles, where deaths due to industrial accidents are treated differently from those due to non-industrial accidents, will be abolished or on the way to abolition.

Fifth: there will be devoted to this group of questions a special Department of State responsible for its proper treatment, which will link together the local authorities dealing with these questions, instead of the control being divided, as it is now, amongst half a dozen ministries.

From the local unit to its central office, advisory committees of employers and employés will help administer the scheme. The machinery will be democratically controlled by representatives of interested parties. Moreover, a permanent investigating committee could be provided to consider and suggest improvements, discover what is being done abroad and keep the International Labour Office informed of what is taking place here. In brief, there would be in existence a body charged with the administration of a comprehensive scheme for providing a minimum of security for the workman. It is clear that the Government, to be most successful, must tackle these tasks directly and not through organizations which have other objects primarily in mind.

Sixth: two indirect effects may be anticipated. The practice of ca' canny resulting from fear of a job soon coming to an end will tend to be less, and the State will be regarded increasingly as an agency for the public good which can consciously control our social environment.

Two schemes have been briefly outlined in order to indicate some of the problems which would be raised by endeavouring to amend our machinery of social insurance in conformity with some broad plan either of a State Monopolistic fund or a State Competitive Fund. Other schemes could easily be worked out on the basis of some other plan. We have seen that Sir William Beveridge's compromise scheme would increase the sphere of the State monopoly. Other proposals have been made dealing only

with the financial aspects of the problem, with a view to increasing the scale of benefits. Sufficient, however, has been said, it is hoped, to make out a case for a Royal Commission or Departmental Inquiry into the whole question. We have indeed the opportunity of making an investigation which will throw light on the central problem in home politics, the lack of security in the workman's life, and give guidance in its solution. Let the terms of reference be broad enough to give us in these difficult times the basis for a domestic policy which will demonstrate that our chief interest remains in the quality of life of our democracy.

A thoroughly exhaustive inquiry is called for into the subject as a whole. Even those closest to one branch do not, as a rule, grasp the significance of these problems and their underlying unity. The principal provisions requiring attention are the following :

- (1) The scope of existing laws.
- (2) How to improve the supply of data concerning the extent of these emergencies.
- (3) Can all the schemes of social insurance be unified, administratively and financially ?
- (4) Can a new system be built up which will give the working-class family security in the case of all the recognized social emergencies, it being understood that the necessary measures are taken against malingering ?
- (5) An exact definition of each of the emergencies to be embraced in the new system.
- (6) The nature of the benefits (in money or kind) to be provided.
- (7) The length of period of this provision, if it is to be limited, and the nature of the organization, if any, to deal with those who exhaust their right to benefit.¹ Can the Poor Law Guardians be entirely eliminated in this way ?
- (8) Should a waiting period be provided for all emergencies ?

¹ The Unemployment Insurance (No. 2) Bill provides that the periods for which unemployment benefit (whether covenanted or uncovenanted) may be received shall be forty-one weeks in the year. Continuous benefits, i.e. benefits for the whole period during which the hazard lasts, are now in sight.

- (9) What would be the best form of administrative machinery? Could the Employment Exchanges be adapted for this purpose?
- (10) Shall benefits bear any relation to (a) the normal wage of the workman, (b) to his needs, (c) to some conception of a national minimum?
- (11) Powers of enforcement of claims or revision of rights, suits for damages.
- (12) Compulsory or elective insurance.
- (13) State fund, Mutual fund, or Private Joint Stock Companies.
- (14) What are the best means of preventing these emergencies, and what is the best machinery for giving them effect?
- (15) What measures for rehabilitating those who have suffered from these emergencies should be attempted?
- (16) What is meant by adequate maintenance? What will adequate maintenance of these emergencies cost per annum? How ought the costs to be borne? What machinery for collection should be instituted?

It is self-evident that a thorough inquiry into all these provisions and the development of suitable concrete proposals would best come as the result of the studies and investigations instituted by a Royal Commission.

V

MOTHERS' PENSIONS

THE enfranchisement of millions of women has given a great impulse to the movement for the removal of the more obvious injustices and economic iniquities from which they suffer. In respect of three problems, all resulting from the function of motherhood, this impulse is likely to lead to improvements and extensions of schemes of social insurance. Maternity insurance is provided to the wives of wage earners included under the National Health Insurance scheme. This may be regarded in the light of compensation for the interruption of earnings. Moreover, the duties of motherhood, not only bearing children, but rearing them until they can provide for themselves, prevents the average mother from engaging in any gainful occupation. It is assumed that during his lifetime the father will provide for his wife and children by his earnings when at work, or his insurance benefits during emergencies. We shall see how far in this matter practice is behind theory. But in the case of the death of the father through any cause but industrial accident or disease, no provision for the widow and orphans has yet been made outside the Poor Law.

What are the problems raised by the existence of large bodies of women who must go through the period of childbirth under destructive conditions, of families which are inadequately provided for by means of insurance during certain emergencies, and of mothers who, unaided, are obliged to provide for children and adults dependent upon them? What is meant by the three groups of problems, of motherhood in distress, of maternity in poverty, and of social insurance schemes which ignore family needs?

A SCHEME FOR GREAT BRITAIN

In May, 1914, Sir Leo Chiozza Money presented a Bill to provide Pensions for Widows, but no progress was made with it owing to the War.

A second Bill dealing with the subject was introduced by Mr. Tyson Wilson in 1920. This Bill, "to provide Pensions for Women and Children," had to be withdrawn because the Government was hostile to it.

In June, 1921, a Mothers' "Pensions Bill" was presented and received a second reading. The Speaker of the House declared that "this Bill cannot proceed. It ought to have been founded on a Money Resolution."

Meanwhile public opinion was growing in favour of some such measure. The Labour Party had officially advocated it since 1911. The Unionist Party, in October, 1923, passed a resolution, "That it is desirable to grant pensions to widows left with young children." And in the election of December, 1923, the Liberal Party Manifesto contained the following words:

"Liberal policy concentrates upon lifting from the homes of the people those burdens and anxieties of the old, the sick and the widow with young children, which the community has the power and the duty to relieve."

On Wednesday, February 20, 1924, the following resolution was adopted by the House of Commons without a dissenting voice:

"That in the opinion of this House, pensions adequate for the proper upbringing and maintenance of children should be paid to all widows with children, or mothers whose family breadwinner has become incapacitated, such pensions to be provided by the State and administered by a committee of the municipal or county council wholly unconnected with the Poor Law."

Mr. Snowden, the Chancellor of the Exchequer, stated that:—

"the Government accept the principle. We accept the demand, and, having done that, there is an obligation upon us to translate that principle into a practical legislative measure."

MOTHERHOOD IN DISTRESS

It is estimated on the basis of the available returns of the 1921 census that the number of widows under forty-five, the class which covers most who are likely to have dependent children, is 170,000. Of these about one-third will be of independent means or childless. It is calculated that they will have some 250,000 children under sixteen dependent upon them. The social evil resulting from the existence of a quarter of a million children without the aid and supervision of a father clamours for attention. The four main categories into which the mothers fall are (1) widows, (2) women deserted by their husbands or who have obtained a judicial separation from their husbands, (3) the wives of men unable through illness, physical incapacity, or through being invalids, adequately to maintain their wives and children, and (4) women who have been habitually living as wives, although not married, and their partners have died.

Let us note what happens to-day when they pursue either of the alternatives open to them. They may go to work, and thus try to provide for their children, or they may endeavour to support themselves and their dependants through charity. When the mother goes out to work, the children do not receive that care, training and proper home influence which is necessary for their healthy, physical and moral growth. In consequence of this a large number of children take to petty crime, and much juvenile delinquency has been traced to this condition. Moreover, mothers are, as a rule, worn out by this life. The responsibility of acting as breadwinner for a number of people, together with the strain arising from the additional tasks of housekeeper and mother, soon age and weaken those who make the attempt. Of course, here and there one mother may succeed in this task, but for one such success a hundred failures will be recorded. The burdens imposed by motherhood in distress are too great for the modern woman.

Experienced social workers tell us what this kind of life entails. A family living in one or two rooms in a slum area, the mother fortunate if she gets a job in a factory at a wage adequate only for the girl living with her parents,

and, if unfortunate, obliged to live on an income derived from a few days' charring or washing every week. During the mother's absence the children are perhaps taken care of by a neighbour, or are left to their own resources.¹ The family diet consists almost exclusively of tea, bread, margarine, potatoes and gravy. Clothes are rarely bought, and the house is bare. Inability to pay rent, absence of the children from school or petty crime will bring such cases for only a brief moment into the limelight of a magistrate's court. The destructive, the crushing effect on the mother's health might be ignored were it not for the fact that it is accompanied by the wholesale waste of the young lives whom she is called on to provide for. Underfed, underclothed, and necessarily uneducated, their value as industrial workers is lowered. The effects are cumulative.

If the mother has to live on charity, she and her family are made to feel the stigma. Nor is she given a real chance to do the best for her charges, since the relief given both by public and private charitable organizations is inadequate and uncertain. Often entry into an institution is a condition of relief, and then members of a family may be separated from one another.

The evidence of the 1909 Poor Law Commission into the conditions of the children of widows receiving out-relief is instructive. The Minority Report declared¹—

“that the destitution authorities . . . have proved themselves—in spite of the devoted personal service of many of their mem-

¹ Mr. A. Young, the head master of the North Canongate School in Edinburgh, recounted the following experience during the recent debate on mothers' pensions in the House of Commons. “One cold morning a little girl was brought to my room more or less in a state of collapse owing to the chill and the cold of the day. I put her before the fire, but as she grew no better I took her in my arms and carried her to her home. There I knocked at the door, but there was no answer. Later, her brother, who was sent after me, came up and told me that he had the key of the house. I opened the door and entered, and there I saw a little child about three years of age sitting on the bed, and another little child about five years of age sitting in front of the fire. No one else was there. The mother, who was a widow, was out working. I took the child and laid her on the bed and sent for the officer of health. The officer of health came and prescribed for the child. There was no mother to look after it, and some of the neighbours took charge. Before the mother came home that night the child was dead.”

bers—inherently unfitted, by the very nature of their functions, to have the charge of the 237,000 children of school age for whom the State, in the United Kingdom, assumes the responsibility of whole or partial maintenance.”

These children at the age of three are the same in respect of height and weight as other children, but after that they compare increasingly unfavourably. “The out-relief boy at fourteen is very little heavier than the average boy of eleven. The out-relief girl of fourteen and upwards is usually a weedy slip, showing none of the natural rounded curves, and with the hips of a child of twelve.” Inquiries showed also that “the proportion of those children passed as definitely below the average in intelligence, if not mentally defective, is astoundingly large. I found that the very poorly nourished children were usually the dull ones.”

It was of course to be expected, as the investigators observed, that these children left school at the lowest possible age in order to supplement the very meagre family resources.

No wonder then that the Poor Law Commissioners reported that, as a result of the inherent unfitness of the bodies charged with the task of rearing children, their expert investigators reported, and other evidence confirmed, that certainly a majority of all the outdoor relief children—probably 100,000 boys and girls—are to-day suffering definitely and seriously in health and character from the circumstances of their lives, these circumstances being, in great part, the inadequate and conditional character of the outdoor relief upon which they are supposed to be maintained, and the lack of care and supervision and inspection to prevent the too frequent neglect and ill-treatment of these wards of the State.

There is no reason to believe that there has been any substantial change in the general situation since that Report, although the Poor Law has become humaner and more generous, and there has been a growing tendency towards increased specialization of services during the decade and a half which has passed.

In 1919 the Ministry of Health published a “Survey of Relief to Widows and Children” which showed that “there are still too many places where the sums granted are sufficient only on the unverified assumption that they are supplemented from undisclosed resources.”

There was found to be the greatest variation in the amounts of relief granted and in the methods of relief. The highest scale was that of a Yorkshire union which allowed 23s. to a widow with one child and 63s. to a widow with six children, 8s. evidently being paid in respect of each child. Another union gave 10s. to a widow with seven children. This survey reports variations of relief of 1s. 8d. per head to over 4s. in rural areas, and of 4s. per head to over 11s. 9d. in urban districts. Scales vary, but are common in each district. They are arrived at without relation to any definite index such as the cost of living. Some unions are more ready than others to grant outdoor relief. Some seem to favour institutional treatment more. And in the case of those granting out-door relief, the conditions which they impose on recipients vary. Poor Law relief is perhaps the costliest, economic and human factors being considered, as well as the most objectional of all forms of meeting the problems arising from motherhood in distress.

Unfortunately, the figures of the numbers of mothers responsible for the unaided upbringing of their children are not available. We must make shift with estimates. But the following figures, covering only a portion of them, are instructive.

In January, 1922, some 142,015 children of husbandless women, i.e. widows, deserted and separated wives and single women, were relieved. In addition to these children, some 70,000 are supported by the Poor Law in institutions. How are these children of the State provided for to-day? Some 30,000 are in barrack schools, children's villages and institutions; about 11,000 are in the workhouses; some 10,000 are in philanthropic homes, and nearly 9,000 mentally deficient are in asylums. Only 10,000 are boarded out.

An official survey of the conditions under which mothers are to-day struggling to bring up their children unaided would reveal a state of affairs which it is safe to assert would lead to a general demand for the national handling of this great problem of motherhood in distress. It is now commonly asserted that the case for this reform is more logically strong than for other forms of social insurance, since the hardship in which it results is more real. Death and permanent incapacity come suddenly and unexpectedly, whilst

old age comes with a warning. Moreover, its effects on a family are lasting, whilst ill-health and unemployment are temporary. No wonder then that the State is called on to provide for these victims of poverty as it has done in the case of other casualties of modern industrial life. Another important consideration is this: unemployment and ill-health, even an industrial accident, may be in part the fault of the victim. But it is certain that neither the widow nor the orphans are in any way responsible for, or the cause of, the death of their breadwinner. Parliament has now declared that some form of pension must be contrived to remove their unmerited and grinding poverty.

It should be recalled that we are concerned in our discussion of pensions for mothers with only such mothers as are in need. These fall into four main groups: (1) widows, (2) women deserted by their husbands, or who have obtained a judicial separation from their husbands; (3) the wives of men unable, through illness or physical incapacity, or through being invalids, adequately to maintain their wives and children; and (4) women who have been habitually living as wives, although not married, and their partners have died. But in the present discussion of the problem in Parliament, the class of women deserted by their husbands and women who have been habitually living as wives, although not married, are as a rule left out. In the latter case public opinion may still be regarded as indifferent to their lot, whilst in the former there is fear of collusion with a view to the receipt of a pension.

These groups of mothers in distress may be provided for either (*a*) by voluntary savings; (*b*) by voluntary life insurance; (*c*) compulsory insurance; and (*d*) by means of pensions.

Voluntary saving by the working-class against the emergencies of funeral costs *and* protection for dependants is not common, and, except in families favourably placed, neither possible nor desirable. Even the best-paid and most thrifty members of the strongest friendly societies have never organized widows' pensions—evidence of financial impossibility without State aid.

Insurance for protection against widowhood and orphanhood has long been common. Life insurance, as it is called, is very frequently provided by the middle classes through

private insurance companies for their dependants, but even the wage-earning classes have endeavoured to organize some provision against the emergency of death through trade unions, friendly societies, establishment funds, and the Post Office. When death occurs, there are two types of needs that are urgent. Firstly, there are the costs of the funeral; secondly, there is the cost of maintaining the survivors who are unable to provide for themselves. Even when voluntary provision can be made for burial, it is clear that few working-men can provide an additional sum for their widows and orphans. Certainly they do not do so voluntarily.

COMPULSORY INSURANCE

In France and Germany a system of compulsory insurance against this emergency has been organized.

The French Compulsory Old Age Insurance Law of 1910 provides also for pensions to survivors of insured persons. Orphans' pensions are provided of fifty francs per month for four to six months, up to the age of sixteen. Pensions for childless widows are provided of fifty francs for three months.

In Germany the Old Age Insurance Acts of 1911 and 1919 provided for survivors' insurance, whilst the Sickness Insurance Laws make provision for a funeral grant.

Somewhat similar provisions are found in Czecho-Slovakia, Italy and Holland.

In Norway and Rumania a funeral benefit is provided under their schemes of social insurance. In Japan and Rumania, when death results from an industrial accident, the benefit takes the form of a pension for the survivors.

Thus it might well be claimed that in Europe there is a marked tendency for the Governments to interfere and help the working-classes to provide against the financial stresses resulting from death. On the other hand, it should be noted that such provision as is made is very small and entirely inadequate.

MOTHERS' PENSIONS

It is for these reasons in part that New Zealand and forty of the states of America have dealt with the problems of

widowhood or orphanhood through a straight Government grant or pension. In effect, the citizens in these countries have said it is as much a matter for public well-being to provide for the proper maintenance and care of widows and orphans as it is to provide education, police, and other social needs. Let us decide to make such provision and then find the money, as we do for all other public needs, through general taxation. The great merit of this method is that proper attention can be paid to the need of those who are to be protected. When the device of insurance is employed, the ability to contribute must be taken into account, so that benefits are limited accordingly. Unfortunately, this means that the insurance covers only a part of the risk, and the evils against which it is desired to protect the beneficiaries remain. But when the pension method is employed, full and adequate provision can be made.¹

Another convenience results from the employment of the device of pensions. It is possible to calculate actuarially what number of widows and orphans may be expected to need provision annually. The machinery of insurance, the calculation of premiums and benefits is then a comparatively simple matter. But it is somewhat more difficult to calculate how many women will be deserted, or will obtain a judicial separation, how many wives will have husbands unable to provide for them through illness or physical incapacity, or how many unmarried women will have children to men who will die soon afterwards. Doubtless these statistics could be obtained, doubtless in time an actuarial basis for a scheme covering these classes could be worked out. But with our present knowledge it seems more desirable to proceed by means of pensions, even if the amounts granted are small at the outset, because a wrong estimate can be more easily borne by the Exchequer than by a new Insurance fund. Another weighty reason for the preference of the pension method as against insurance is the very low administrative expense in the former

¹ In the first essay in this volume on "The Meaning of Social Insurance" an effort was made to distinguish between social insurance and savings. But there are minor differences, and here we come across one which distinguishes the different species of social insurance, the contributory and the non-contributory schemes.

case. The Ontario scheme of mothers' allowances is now administered for about 4 per cent. of the total expenditure. Since it may prove instructive to examine one of the various schemes of mothers' pensions, let us note the chief features of the Ontario scheme :

An Act to provide for payment of allowances in certain cases to the mothers of dependent children.

A monthly allowance may be paid towards the support of the dependent children of a mother who,

- I. (a) Is a widow or the wife of an inmate of a hospital for the insane in Canada, or of a man who is permanently disabled and incapable of contributing to the support of his family ; or of a man who has deserted her and who has not been heard of for at least five years.
 - (b) Was resident in Canada at the time of the death or total disability of the father of the children on whose behalf the allowance is to be made, and for a period of three years immediately prior to the application for an allowance ;
 - (c) Is resident in Ontario at the time of the application for an allowance and for a period of two years immediately prior thereto ;
 - (d) Continues to reside in Ontario with her dependent children while in receipt of an allowance ;
 - (e) Was a British subject by birth or naturalization, or is the wife or widow of a British subject ;
 - (f) Is a fit and proper person to have the care and custody of her children ;
 - (g) Has resident with her two or more of her own children under fourteen years of age and has not adequate means to care properly for them without the assistance of an allowance under this Act.
- II. A like allowance may be paid to a woman who has resident with her and under her care a child over the age of fourteen or a husband who is permanently disabled and incapable of contributing to the support of the family, and has also resident with her one of her own children born in lawful wedlock under the age of fourteen years and has not adequate means to care properly for them without the assistance of an allowance under this Act.
- III. In cases presenting special circumstances, where investi-

gation has shown the advisability of an allowance being granted to the children dependent upon a mother or foster-mother who is not strictly eligible, the commission may recommend to the Lieutenant-Governor in Council the granting of an allowance and the amount, and may direct the payment of an allowance accordingly.

For the purpose of this Act there shall be established a Commission composed of five persons, two of whom shall be women, appointed by the Lieutenant-Governor in Council, and the Commission shall be a body corporate under the name of "The Mothers' Allowances Commission."

The members of the Commission shall serve without remuneration except that the Lieutenant-Governor in Council may fix a per diem allowance to be payable to each member for attendance at meetings of the Commission, and every member shall be entitled to his reasonable and necessary travelling expenses, as certified by the chairman, for attendance at such meetings, and in the transaction of the business of the Commission.

It shall be the duty of the Commission :

- (1) To inquire as to the persons qualified to receive allowances under this Act, in any county or district or city or separated town in Ontario ;
- (2) To receive, through local boards or otherwise, applications by or on behalf of persons so qualified for the payment of allowances under this Act and to consider the same ;
- (3) To fix the maximum and minimum allowances which may be granted under this Act ;
- (4) To make orders granting allowances to mothers by whom or on whose behalf application is made to the Commission and who appear to the Commission to be qualified to receive such allowances ;
- (5) To keep such records and statistics as the Regulations may require, or as may appear to be necessary for the proper discharge of the duties of the Commission.

Allowances granted under this Act and the expenses of administration of this Act shall be payable out of such moneys as may be voted by the Assembly and appropriated by the Legislature for those purposes.

- (1) Every direction for payment of an allowance under this

Act shall name the county, city, or separated town or provisional judicial district of which the person to whom the allowance is payable shall be deemed a resident for the purposes of this Act.

- (2) Notice in writing, signed by the chairman, that such allowance has been granted with the name and place of residence of the person to whom the same is payable, and stating that the municipal corporation of the county, city or town will be required to contribute to such allowance as hereinafter provided shall be sent by registered post to the clerk of the corporation of the county, city, or town of which such person is resident.
- (3) No municipal corporation shall be chargeable unless the person to whom the allowance is payable has resided in the municipality continuously for at least one year immediately prior to the application to the local board for the allowance under this Act.
- (4) Where the person to whom the allowance is payable removes to another municipality, that municipality shall not be made liable for the contribution until such person has resided in such other municipality continuously for at least one year.
- (5) Every municipal corporation named by the Commission as a contributor under this section shall pay to the Treasurer of Ontario an amount equal to one-half of the allowance.

The decision of the Commission as to any matter arising under this Act shall be final and conclusive, and shall not be subject to appeal or review by any court of law or otherwise, but the Commission may reconsider any decision, and may rescind, alter or amend any order, direction or decision previously made under the authority of this Act.

On approval of the Lieutenant-Governor in Council the Commission may make regulations—

- (1) Providing for the appointment of a local board for a county, city or separated town or district, or for any defined territory in Ontario ;
- (2) For the conducting of inquiries and investigations by local boards as to persons to whom allowances may be paid, or who are in receipt of allowances under this Act, or by whom or on whose behalf application has been made for payment of allowance ;
- (3) Providing for the appointment of visitors or other local officers of the Commission and prescribing their duties ;

- (4) Respecting the proofs to be furnished before payment of any allowance or continued payment thereof ;
- (5) Fixing the intervals at, and the manner in which, allowances shall be paid under this Act ;
- (6) Respecting the property qualifications and other sources of income of beneficiaries under this Act.

Neither the Act of 1920 nor the amending Act of the following year stated any fixed sum or schedule according to which payments were to be made. The following rates are actually used by the Commission as the basis of calculation :

City Rates :

Beneficiary with two children .	.	\$40	per month.
" " three "	.	45	" "
" " four "	.	50	" "
" " five or more children		55	" "

Rates in other than city areas are \$10 lower than for the cities. These allowances are calculated on the basis of a cost of living budget. Reductions are made in the case of those owning property and in respect of the children's earnings. If a widow has as much as \$2,500 worth of real estate, and her liquid assets are \$350, then, unless special circumstances will warrant it, she will not obtain an allowance.

Payments are made by cheque from the Treasury of Ontario.

"The Commission does not wish applicants to be considered as applying for charity ; but that the mother be regarded as an employé of the State, receiving remuneration for services rendered in the proper care of her children." She must, therefore, not only satisfy them of her fitness to receive an allowance at the time of her application, but she must continue to satisfy them, through official visitors and local boards, that the health and general welfare of her children are provided for. Otherwise, the allowance may be stopped. During the fiscal year 1921-2 about 1 per cent. of the allowances had to be cancelled because the mother had shown herself to be "not a fit and proper person to continue as a beneficiary under the Act."

It is worthy of special comment that the United States, as a rule so backward in all forms of labour legislation, and

particularly tardy in its adoption of social insurance measures, should have taken the leadership in instituting mothers' pensions. It should be recalled that in that country legislatures in forty-eight states jealously guard their right of independent legislation. It is all the more striking to contemplate the wave of legislation on mothers' pensions which swept through the country between 1911 and 1919, leaving forty distinct schemes in forty different states.

It is certain that only the greatest conviction of the need of this legislation would have induced the United States to abandon her usual attitude of what is called not "interfering" in industrial matters. Public action could have been roused in a matter of this kind, and a new responsibility by the State towards its citizens would have been assumed only where the case was overwhelmingly convincing. It must not, however, be forgotten that few states had anything like a proper Poor Law on which destitute widows could call for help.

THE CASE FOR MOTHERS' PENSIONS

It may be conceded that mothers' pensions are advocated as a painful necessity and not as an ideal arrangement. It is almost too obvious to require emphasizing that it is wiser to prevent industrial accidents and ill-health, which may lead to the premature death of the breadwinner, than to make provision, after the event, for dependants. Nor will it be denied that the raising of the standard of living of the working-class will tend to have the effect of reducing the severity of the economic suffering of widows and orphans. But these developments, while they should be encouraged, are necessarily slow and even uncertain, so that recourse to non-ideal but urgent measures like pensions is inevitable.

It is instructive to learn that in America pensions for widows and orphans followed soon after the establishment of juvenile delinquency courts, that their judges have been the keenest advocates of such pensions, and that in some cases these pensions are administered in co-operation with the courts. It was discovered that very frequently delinquent children were those who were not receiving the care, the training and home influence necessary to bring them up properly, because the mother had to go out to work to

earn sufficient to keep her family. This discovery was soon followed by the realization that many mothers and children who should have been kept together were being separated because of poverty. Children were being placed in institutions the cost of whose upkeep was comparatively high. In spite of the fact the death-rate in them was higher than it was even amongst the very poorest children who were cared for by their own mothers.

These conclusions led to a general examination of the existing methods of dealing with women who had dependants. It was then discovered that the widow or permanently deserted wife with children dependent on her was the most common instance calling for relief through a period of years. The method of providing for the mother and her children was objectionable, because it had the stigma of charity associated with it, and because it was generally inadequate and uncertain. The recipient could not rely on its being forthcoming regularly, so that she could not plan her life or that of her children with any sense of security. Only too frequently it was the policy of charity organizations to force the woman to work and then to give her a small amount with which to supplement her income.

As a result of these considerations, social students came to realize what perhaps their own good fortune had made them blind to, that the mother is rendering the State the very highest service in bringing up a family under proper home influence. It became clear that only as a very last resort and in exceptional cases was it desirable to send children into institutions. The conclusion finally emerged that it is best to subsidize the mother by adequate allowances from public funds to enable her to bring up her own children, provided that she can do so under healthy conditions, or can be trained to such conditions.

One of the main features of pension laws is the development of a body of specially trained investigators who co-operate with the mother in the use of her resources. It is, of course, easy for critics to object to the intimate interference of doctors, trained dietitians, inspectors and nurses in the working-class homes. But when it is generally conceded that large numbers of families have been helped to secure better housing conditions, advised how best to spend their income on a healthy and varied diet, and mothers

taught the household arts of cleaning, cooking, sewing and skilful buying, and the school attendance of the children has improved, it will be seen that there is a good case for this form of adult education.

Let us briefly note the objections to these pensions. They are said to pauperize their recipients. This is even said of old age pensions in this country, but, as we know, has little significance. We are told that relatives and friends are released from normal responsibility. The answer to this is that many of these unhappy people are far from their relatives and friends, and even when near, their relatives' small incomes and their own needs will almost certainly prevent much of this going to kinsmen in distress. They are said to be burdensome to the taxpayer, whilst the charity organization could raise the money through voluntary contributions. It is because the latter have in fact given inadequate relief that pensions were instituted.

PENSION OR RELIEF ?

It is desirable not to exaggerate the virtues of this type of legislation as it exists in other countries to-day, even though the temptation to the advocate to do so be very great. It is evident that the Ontario Act (like our own Old Age Pension Act) is far from ideal, but it does embody the fundamental principle that mothers can obtain a pension, the highest limit of which is £2 10s. a week. In Chicago pensions range from \$15 to \$60 a month, or roughly from 15s. to £3 per week, depending upon the number of children, the supplementary resources available, the health of the family, and particularly of that of the mother. The mother is expected to do some work, if it can be done without injury to her health or neglect of the home. This provision is found also in the New York law, where the average allowance per family is about 25s. 6d. per week. Nevada has the highest maximum limit, about £6 a month for the first child and £3 10s. for each additional child.

It is not unlikely that as experience accumulates the permission to the mother to engage in remunerative work will be even more limited than it is already.

Mothers' pensions differ from the relief granted by charities in being as a rule considerably larger in amount,

in being granted for a longer period, and indeed, as a rule, as long as it is necessary, i.e. until the children are able to provide for themselves, and above all in being a legal right granted to all who satisfy certain requirements. The mother is frequently paid, monthly, by cheque, which is sent to her address.

THE ESTIMATED COSTS

We are justified in asking the authorities for a detailed statement of the estimated costs of a scheme. To be helpful, the figures as to the number of mothers and children who are likely to claim pensions must be given in detail.

A recent Chancellor of the Exchequer has estimated generally that any practicable scheme for mothers' pensions would cost, at least, £50,000,000 per annum. It is not stated how this figure was obtained. Who are to receive these pensions? Are all mothers to obtain them, irrespective of whether they have means or not? What scale of benefits is contemplated? When are children assumed to be able to provide for themselves? Until we have all this information such an estimate is not only not helpful, but may even prove to be misleading. What, in effect, would have been the value of a statement by a Chancellor of the Exchequer, say, in 1903, that old age pensions "estimated generally" would cost £212,000,000 a year? How dangerously misleading it would have been! And yet, to provide pensions at £1 a week for all over sixty is estimated to cost that amount. As a matter of fact, last year £22,500,000 was spent on old age pensions, whilst when it was first instituted it cost only some £7,000,000. In all branches of social insurance this country has experimented cautiously, and has granted a minimum of benefits at the outset. This doubtless would be the manner in which mothers' pensions would be begun. So that in naming the figure quoted above the Chancellor left himself open to the charge which has been made that "the Treasury put the cost of the proposed reform at a prohibitive figure far in excess of that commonly estimated, and then used the size of its own figure for refusing any inquiry into the matter."

Even the comparatively generous provisions of an early

Labour Party Bill were not expected to cost as much as £50,000,000. This Bill provided that a mother with one dependent child should receive 36s. 8d. per week, with two children 44s. 2d., with three children 50s. 2d., and for every additional child over three, 6s. extra. An interesting provision of the Bill was that these pensions would be administered by the same authorities and in the same way as the Old Age Pension Acts (i.e. entirely independent of the Poor Law), with the exception that as far as possible only women would be appointed as Pensions Officers for the purpose of women's pensions.

Now unofficial estimates of the costs of pensions for necessitous widows with young children, i.e. the first group only, range from £10,000,000 to £20,000,000 a year. Thus, assuming that 100,000 mothers would claim pensions in respect of themselves and of, say, 250,000 children, then if the mother obtained 20s. in respect of herself and 7s. 6d. on an average in respect of each child, the costs to the Treasury would be about £14,600,000 per annum. Of course, if the number of those who would have a right to claim pensions were larger, the costs of the scheme would be correspondingly higher. No estimate of the costs of including the three other groups would bring the total costs of pensions much above £20,000,000.

But in forming an estimate of the costs of mothers' pensions, we should first deduct the amount now spent on Poor Law and outdoor allowances, on maintaining institutions for children, on providing school meals and hospital treatment, on reformatory schools, Borstal schools, juvenile courts, juvenile prisons, crèches, orphanages and charities of all kinds. Indeed, part of the later cost of maintaining unemployables and criminals ought properly to be deducted also, since their existence is largely due to the present system of inadequate relief for widows and other mothers who are unprovided for, together with their dependants. Such a calculation is possible with our present knowledge. But a more interesting calculation which would elude the most skilful statistician would be to estimate the increased output of these children in later life owing to their better chances of growing up healthy, educated and valuable citizens. Nor is this money measure of social legislation the only criterion. Surely the greatly increased happiness which would accrue in some of the

most blighted homes ought also to be taken into account in our judgment of its necessity.

It is doubtful whether a measure for mothers' pensions is likely to be passed by Parliament without there being an inquiry and a report by a Departmental Committee. Such a body could bring the necessary facts to light. Surely the case for the appointment of such a committee now is overwhelming. In this one part of the field of social insurance in which Great Britain has become pre-eminent, we are still without information as to the elementary facts of the situation. These must now be ascertained and published. Not until then are we likely to follow the American States.

Who is to administer any proposed scheme? The recent resolution in the House of Commons suggested a "committee of the municipal or county council wholly unconnected with the Poor Law." On the other hand, the case in favour of linking it up with some national scheme such as health insurance or unemployment insurance is incontrovertible. No existing local body is suitable for the task, excepting indeed the local Employment Exchange. At a first glance it might seem appropriate for the scheme to be linked up with health insurance, because then it would be known at once who were entitled to pensions, viz. widows who have been entitled to maternity benefits. But the disadvantages outweigh the advantages. Health insurance is on a contributory basis, and it is proposed that widows' pensions should be non-contributory. Moreover, in view of recent developments it is unthinkable that the State should increase the power of approved societies by giving them additional State funds to administer. A simple and adequate criterion of the people who should be entitled to widows' pensions could be provided by linking up the scheme with that of unemployment insurance. In that case provision would be made for widows whose husbands had been insured workers, or who had been insured workers themselves. There is less objection to such a form of administration because the Employment Exchange is a state office. The case for it is strengthened with every extension of unemployment insurance.

This suggestion would eliminate the necessity of imposing a means limitation, as is done in the Ontario scheme. In practice this works as a serious deterrent to thrift, as

has been proven by our experience with old age pensions. On the other hand, most people would agree that we can little afford a grant to the well-to-do, who can manage without it. But the wives and children of those insured against unemployment are the people who will need these pensions.¹ If pensions are provided for existing widows and orphans, it will be possible if it is so desired to include this provision as well as old age pensions in a unified scheme of insurance. Every boy and girl entering industry would pay a contribution, graded probably according to wage group, which covered the assigned proportion of the total costs of the provision against all emergencies. Of course, this increase in contributions should be accompanied by a corresponding increase in benefits. What will be the position of the widow whose husband dies from an industrial accident? Would she still claim compensation, or her pension, or both? Here again we see the need for a comprehensive unified scheme if we are to avoid anomalies. Again, if we wish to ensure that the widow will spend her money as Parliament desires, mothers' pensions should be followed soon by a scheme of compulsory state burial insurance. Otherwise, the widow is likely to spend months of her pension on the cost of "a decent funeral."

There are three general criticisms of these proposals that it is desirable to meet: one relates to their effect on the birth-rate, the other to the alleged inability of the country to meet this fresh burden, and the third to the influence on wages.

I. What would be the effect on the birth-rate of granting greatly increased maternity benefits and mothers' pensions? Would such subsidies tend to increase it or decrease it? The facile assertion that the poorer classes will care less and have more children is rebutted by the evidence that an improvement in the standard of living is generally accompanied by a decreased birth-rate.

Two main conclusions with respect to the birth-rate are pertinent to this discussion. Where any group in the community has its efficiency raised, whether through its own efforts or through legislative action, that group tends

¹ The case for providing for widows and orphans by way of insurance is not examined here, because most advocates are to-day concentrating on a pension scheme.

to reduce its birth-rate. Where any group adopts a higher standard of education, then it tends to reduce its birth-rate. If, as we may assume, the adoption of maternity insurance and pensions for widows will lead to greater efficiency, and if education of the poorer classes improves (and money, it should be noted, is a good teacher), then it is likely that we shall have a lowered and not an increased birth-rate. It is significant that in France maternity insurance has not prevented the decline in the birth-rate, and it is indeed doubtful whether that decline has even been checked through this provision.

II. It is asserted by some people that in other times, in times of prosperity, they would desire to see the measures we are discussing enacted, but that to-day the country cannot afford it. They generally ignore one of the most important aspects of these problems of maternity in distress and motherhood in poverty. It is this. Some one must pay the costs of maternity, or of the dependence of children on a mother who cannot provide for them. It is true that in a few cases it may be paid for from savings, in many more it will lead to the pawnshop or to a loan club. Frequently relatives, themselves poor, will share the burden, or private charity will come to their aid. When these are not available or are exhausted, there remains the Poor Law with out-door and institutional relief. If these sources are inadequate, then the resultant evils are ill-health, disease, shiftless characters, and the increased number of criminals.

Mothers' pensions will affect wages in two ways which act in opposite directions. Factors will be introduced, some of which tend to raise, and others to lower wages.

On the one hand, married women with a certain definite income will be tempted to supplement it by going out to work to make a little extra. They will be in a position to work for lower wages than they could do if they had no basic income at all to rely on. Moreover, as the undertaking of such work will presumably be illegal, or where a certain number of hours of work are permitted under the scheme, its extension beyond that limit will be known to be against the law, and unscrupulous employers will take advantage of the fact to offer a lower rate of pay.

On the other hand, the labour market will be relieved in large measure of an element which tends to depress wages

—the married woman in distress and especially the widows who are driven into low-paid, intermittent employment by the fear of destitution. Trade boards have done much for this class of low-paid unorganized labourers, but the class still exist as a drag on workers' wages.

How avoid the danger that pensions may reduce wages? The conditions under which, if any, pensioners may go to work, must be clearly laid down, and an effective system of inspectors will be indispensable.

But the imposition of such conditions has led to a mistaken view as to the nature of mothers' pensions. Thus Miss Edith Neville writes: "The pensions are not paid as a right; they are granted only after investigation, and the recipients are subject to supervision."¹ Conditions and supervision must be insisted upon in every case of pensions and insurance, social or competitive, yet that does not prevent the beneficiaries from having a full legal right, if they satisfy the given conditions.

The question may be put, shall we leave the workers to bear their burdens as best they may, or shall we organize some form of insurance against them as we do against fires and thefts, unemployment and old age, and thus treat them adequately? It is contended that a completed scheme of maternity insurance and of pensions for mothers ought to be organized as the best and cheapest means available to the community for meeting these problems. It is because this country is hard pressed competitively that the fullest efficiency of all its citizens ought to be encouraged. It is not the least of the virtues of these schemes that they will tend to produce that efficiency.

In a Report on "Mothers' Pensions in the United States of America," prepared in the Intelligence Department of the Local Government Board in 1918, Mr. I. G. Gibbon in his introduction makes the following observations:

"Some of the curious are inquiring why there are and why there should be so many widows. They are directing their attention to the prevention of industrial accidents and the deaths from preventable diseases which necessitate widows' pensions. They are convinced, and they demonstrate, that a large pro-

¹ "Family Life, considered in Connection with the Proposals for the National Endowment of Motherhood," Charity Organization Society, Occasional Paper No. 21.

portion, often a very large proportion, of these accidents and deaths could be avoided, and they are pressing forward measures to prevent such in future. Whatever may be said, and much may be said, for the principle of mothers' pensions, it is on these deeper inquiries and efforts that progress chiefly depends."

Here, then, as in other branches of social insurance, we see the tendency to concentrate on prevention once the full costs of the emergency come to be known. It is no empty paradox to insist that social insurance aims at its own annihilation. Progress is made from the stage where the workers bear the burden unaided, through the stage of pensions or insurance, to the goal, the reduction or the prevention of the emergencies.

VI

MATERNITY INSURANCE

THE British Health Insurance scheme provides no insurance benefits for the wives of insured workmen, unless indeed they are themselves insured as employés, excepting that of maternity benefit. The proposed revision of the whole Health Insurance scheme and the non-ratification of the Washington Maternity Convention affords an opportunity for re-examining the evils which maternity insurance aims at overcoming, and for outlining a sound policy on the subject.

Of the million children born every year in this country, some eight hundred thousand are born under conditions of poverty. If the child is born to a woman employed in an industrial occupation, she cannot afford, as a rule, to leave her work until the last day or so before confinement. If she is the wife of a workman, and is not herself engaged in a wage-earning pursuit, she must carry on with her housework until the last moment. In both cases, she has, as a rule, little or no savings, cannot find the cost for proper medical attention, for special nourishment and nursing for herself and her child after confinement. The lack of proper pre-natal, natal and post-natal care is reflected in a ghastly and costly series of evils. Over four thousand women die annually in childbirth. In 1920, 1,200 of these women lost their lives from "puerperal septicæmia," which simply means infection arising from dirt. But these facts tell us nothing of the tens of thousands of women who do not die, but who become permanently ill after childbirth or remain invalids for years. A long train of harmful consequences to the health of women results from maternity in poverty. But the care of the mother would mean the care of the child, and

adverse conditions affecting the former mean danger for the child. The total infantile mortality for the United Kingdom yearly is nearly 100,000. The infantile mortality of the children of unskilled workers, i.e. of workers with a low wage, is double that of the children of those of the middle and upper class. Thus, even with our present knowledge, and if we had the will, it is often argued half the number of the babies of the working class who die within their first year could be saved. The obvious causes of this constant slaughter of the innocents are ignorance, lack of the elementary physical needs such as nourishing food, an insufficient period of rest, the absence of proper medical and nursing care, and unhealthy housing conditions. Also many of the abnormal children, who constituted 12 per cent. of the whole child population in 1920, owed their serious defects to the conditions surrounding their birth.

Note the number of these victims of communal thoughtlessness: Blind, 6,000; deaf, 6,000; mentally defective, 37,000; epileptic, 6,500; tubercular, 20,000; cripples, 36,000; other defects, 53,000; making a total of 164,500.

But in addition to the deaths and abnormal defects we have the still heavier loss due to the general weakness, debility, low vitality, bad health and dull intellects of almost half the children in the schools. Out of the 2,434,252 school-children examined in 1920, 47.9 per cent. were found to be suffering from defects. Many of these will struggle through life suffering in consequence. The Chief Medical Officer of the Board of Education rightly insists that the "physical welfare and, in part, the education of the child of school age is dependent in its origin upon ante-school conditions." Of these, the conditions surrounding the child's birth are supremely important.

How blind is our policy of spending millions on institutions designed to care for these defectives, to educate and cure them, when similar sums devoted to improving the conditions of their birth would have prevented these evils from arising.

MATERNITY INSURANCE IN PRACTICE

Two fundamental facts of our present economic society have stimulated interest in the proposal to introduce

maternity insurance on an adequate scale. These are, firstly, the very low standard of living of the vast majority of the working-class population; and secondly, the fact that the married woman, and the woman with dependants, are both to-day important factors in the industrial world.

It cannot be denied that such opposition as is still found to this type of legislation results from the view that it is highly undesirable to have women engaged in low-paid labour; it is asserted that many women are earning wages as a matter of choice and not of family necessity, and it is held that nothing should be done to attract them into industrial life, but that as far as possible the tendency should be suppressed by increasing the husband's wages.

Supporters of this legislation do not oppose an increase in men's wages, although they point out that this is inevitably a slow process. Meanwhile, they ask, are the evils surrounding childbirth amongst the working classes to continue? They insist that the presence of women in industry is generally due to economic necessity and not to choice. In 1911 some five million women were employed, and since then the number who have been drawn into the industrial machine has increased considerably. Nor is it a fact, as is commonly stated, that employed women have only themselves to support, and that therefore they ought to accept a lower wage than men doing the same work. Many women, both of the professional and of the manual labouring classes, support their children, unaided, and in many cases support adult dependants. Thus in an inquiry which claimed that it was made amongst 2,830 *representative* working women, it was found that nearly 50 per cent. were entirely or partially maintaining others besides themselves.

But whether the woman is herself engaged in gainful employment or running a household for her husband does not alter the fundamental problems raised by maternity in poverty. In both cases there are the same facts: a very small income, as a rule no savings, extra costs for medical attention and special food, and the urgent need for a period of rest and recuperation. These needs are so universally recognized, and the dangers resulting from their neglect so manifest, that few countries fail to provide some sort of protection for the mother and child.

The object of existing legislation is twofold :

- (1) To protect the health of both mother and child by ensuring proper rest and providing suitable nourishment to the mother shortly before and after childbirth.
- (2) To protect the health of the child after the mother returns to work.

To attain the first object, various measures have been taken in different countries. Frequently the mother is prohibited from employment for a certain period before and after childbirth. Clearly this provision by itself is of doubtful value. Depriving the mother of her income when she needs it most, especially in the case of the lowest-paid grades of women workers, is objectionable. It naturally leads to the breach of observance of this regulation. Many States have therefore established schemes of maternity insurance, or allowances, providing financial aid to the woman during her enforced absence from work.

The second object, i.e. to ensure the health of the child on the mother's return to work, is pursued in some countries by requiring the employer to provide facilities, such as half-hour intervals from work, and perhaps a special room, for nursing mothers to feed their children. In other countries this object is ensured by encouraging the mother to devote herself exclusively to the child's welfare during its early days by remaining at home. In Germany, Switzerland, Roumania and France a special inducement of this kind is offered to keep them away from gainful employment. This benefit to nursing mothers is one of the recent extensions of the scope of maternity insurance ; its amount varies in different countries both in extent and duration.

It is also provided that in the legislation of Roumania, Spain and Switzerland, that the absent working mother's place must be kept open for her.

Let us note what benefits are provided to-day in respect of maternity insurance in a few typical instances. In Germany, where maternity provision has been instituted since 1884, benefits are now provided for ten weeks, of which six weeks must be after confinement. A comprehensive list of benefits is provided. Firstly, there is a lump sum ; secondly, a weekly allowance ; thirdly, sickness benefit

or the cost of hospital treatment. Supplementary allowances are made for the attendance of a doctor or midwife, and a nursing bonus is granted for twelve weeks. In France the Code of Labour, 1913, provided that a woman employed in a commercial or industrial establishment may not work for four weeks after confinement, and that her absence from work for eight consecutive weeks before and after her confinement may not, on pain of damages, be held a reason for determining her contract of labour. On January 23, 1924, this was modified; the period of absence during which a woman's place must be kept open was raised to twelve weeks, and it was also provided that she might not be dismissed even if she were absent for fifteen weeks, if her absence was due to an illness which is caused by pregnancy or confinement and which made it impossible for her to resume her work.

The 1913 Act gave maternity allowances to Frenchwomen without means during the rest period before and after confinement, whilst an Act of 1919 sanctioned the payment of a daily bonus for twelve months after confinement, if the mother nurses the infant herself. The following figures show the number of women in receipt of maternity and of nursing benefits:

Year.					Maternity Benefit.	Nursing Bonus.
1920	.	.	.	.	336,395	261,270
1921	.	.	.	.	304,525	237,455
1922	.	.	.	.	345,972	283,013

Let us note what is provided for by one of the new countries in respect of maternity.

In Poland the maternity benefit is equal to the regulation wage and is paid for the period during which the mother is unable to work. The maximum is eight weeks, of which at least six must be subsequent to confinement. Provision is made for the attendance of a doctor and midwife before, during and after confinement. Insured women who nurse their children are allowed an additional benefit in cash or in kind. The benefit is paid after the expiration of the maternity benefit, as long as the child is nursed, the maximum period being twelve weeks.

In Australia and in Great Britain lump-sum grants are made in respect of maternity. In the former country every

Australian woman who gives birth to a child receives £5. In Great Britain the wife of a worker insured under the Health Insurance Act receives £2. If she is herself also insured, i.e. if she is herself employed and married to an insured member, then she obtains an additional £2. Thus in Great Britain the maternity benefit is not confined to women who are employed in industry. The woman receiving this benefit receives it usually on the condition that she abstains from work for four weeks if she happens to be employed in industry. This provision of maternity insurance has been by far the most popular feature in the whole scheme of health insurance. But it should be noted that in Great Britain, unlike many other countries, the woman does not obtain the free services of a midwife or doctor for her confinement. In the case of an insured woman, however, if she is incapable of work during pregnancy, she has the right to sickness and medical benefits. Moreover, maternity centres established by local authorities provide advice, nourishment and nursing for pregnant and lying-in women either cheaply or free of charge.

In Holland, the woman obtains the full amount of the average wage for the whole period of incapacity both before and after confinement.

Only in New Zealand is the unmarried mother denied maternity benefit, though in Great Britain she is excluded from the supplementary benefit which is paid to the woman who is herself insured and is the wife of an insured workman.

It is evident that certain countries make better provision for the treatment of the mother and child than others. But the most usual benefits provided by the various countries consist of : first, a sum of money paid either weekly for a period, or in one payment ; second, medical and surgical attendance, together with medicine ; third, a small weekly sum paid while the mother herself nurses the child.

Now before we indulge in criticism or attempt to outline desirable changes, it is important to mark what progress has been made within recent years. It is possible to assert that the grant of maternity benefits is a world-wide movement in the industrial world. Nor should it be forgotten that, as a rule, such benefits are provided irrespective of marital condition.

A considerable improvement is reported in the infant mortality figures in recent years, but it is impossible to discover which of the many factors affecting working-class family conditions are responsible for the steady decline. How decide whether it is due to better education, to better expenditure of income, to increased expenditure on maternity and child welfare institutions, such as day nurseries, infants' hospitals, and to better midwifery services, or finally to maternity insurance? All of these factors seem to be operative at the same time and in the same direction.

INFANT MORTALITY

Year.	Per 1,000 Births.	Year.	Per 1,000 Births.
1905 . . .	128	1914 . . .	165
1906 . . .	132	1915 . . .	110
1907 . . .	118	1916 . . .	91
1908 . . .	120	1917 . . .	96
1909 . . .	109	1918 . . .	97
1910 . . .	105	1919 . . .	89
1911 . . .	130	1920 . . .	80
1912 . . .	95	1921 . . .	83
1913 . . .	108	1922 . . .	77

The figures for infant mortality thus show a steady decline even during the period of the depression. Further reduction is anticipated, especially amongst children under four weeks as well as amongst illegitimate children, whose death-rate is almost twice as great as that among the legitimately born.

That much remains to be achieved is shown by comparing the infant mortality rate of England and Wales with that of Denmark, Holland, Sweden and Switzerland:

INFANT MORTALITY RATE

	1918.	1919.	1920.	1921.
England and Wales . . .	97	89	80	83
Denmark	74	92	90	77
Holland	93	84	73	76
Sweden	65	—	—	—
Switzerland	88	82	84	74

It should, however, be noted that, contrary to what might have been expected, there has been no improvement in the

mortality rate among women in childbirth in this country :

Year.	Per 1,000 Births.
1910	3.56
1915	3.94
1922	4.12
1923	3.81

It is difficult to understand why there has been little or no improvement for some thirty years. The Ministry of Health suggests that it is due to the difficulty in supervising the health of mothers and the lack of funds for ante-natal work. Surely, here is an instance where investment in human life would in the long run yield a higher return than a similar investment in a capital undertaking, and maternity insurance is one of the most effective methods of making that investment. There is an obvious need that all women shall receive during illness proper medical attendance and money benefits. Strong objection is also taken to the Factory Act which provides that no employer shall knowingly allow a woman to return to work for four weeks after childbirth. Any employer can say he did not knowingly do so, and even the best employers sometimes find it impossible to carry it out.

THE WASHINGTON CONVENTION

The main object of the International Labour Office, which is part of the machinery of the League of Nations, is to encourage the adoption of certain minima of labour and social conditions throughout the industrial world. At its first conference, which met at Washington in October, 1919, it adopted a draft convention by a two-thirds majority on the subject of maternity protection. All the States which are members of the International Labour Organization are bound by its Constitution to submit this convention to their legislative authority,¹ and, if it is passed there, then the Government is bound to ratify it and put it into effect. The draft convention provided that the period of rest for women employed in industrial or commercial undertakings

¹ The Treaty of Versailles, Part XIII, dealing with labour, Art. 405, states that "each member state shall within 12 or, in exceptional circumstances, 18 months, submit the convention to the authority or authorities within whose competence the matter lies for the enactment of legislation or other action."

before childbirth shall be six weeks, this being optional for those affected, and six weeks after childbirth, this being compulsory, together with a full and healthy maintenance grant throughout the period. With respect to the six weeks rest before childbirth a doctor must certify that it is desirable. The woman cannot have this period of rest merely because she would like it. These provisions, it should be noted, are somewhat more than those hitherto made, even by those countries most interested in this matter. On the other hand, their application is limited to women who are gainfully employed. It ignores the equally serious problem of the poor mother who is not employed in a factory or workshop, but spends her time taking care of her home, her husband and children.

How have other countries responded to this International call for the protection of women before and after childbirth? Thirty or more States in all are taking some action in this matter. Up to now only four countries have actually ratified this convention. These are Bulgaria, Greece, Roumania and Spain. Other countries expected to ratify it soon are Spain, Chili, Czechoslovakia, Argentina, Belgium, Brazil, France, Germany, Poland and Italy. Even Japan, where social legislation would seem to be still in its infancy, has now a Bill drafted to amend the Factory and Mining Acts and embodying this draft convention.

Let us note what happens when a country decides to give effect to this convention. The Italian Government has been authorized to give full effect to it, and this will necessitate two alterations in its existing legislation on the subject:

(a) The compulsory period of rest after childbirth will be increased from three to six weeks and women will be entitled to take six weeks' rest before childbirth. The present legislation provides only for women employed in large industrial occupations. It will have to be extended to include women employed in commercial undertakings and in small industries.

(b) Benefits for six weeks before and six weeks after childbirth will be provided in addition to free attendance by a doctor and midwife.

The adoption of this convention by Italy will involve, of course, a considerably increased annual outlay.

The two main difficulties in the way of the ratification and application of this draft convention are seen clearly in the case of Great Britain. It involves extra financial expenditure, and as the protection of maternity may be provided in a variety of ways tending to the same result, this convention cuts across certain parts of the British devices already adopted. But, as may be seen in the case of Italy, the will to adapt existing schemes so as to conform to the Washington Convention will overcome the small difficulties in the way. The charge is therefore being made against the British Government that it is really not desirous of overcoming the difficulties which undoubtedly exist.

It may perhaps be conceded at once, that when the Government is pursuing an economy campaign it will be tempted to say that it cannot afford the costs of this type of social legislation. But money economy in a matter of this kind implies reckless extravagance with the lives and the health of mothers and children. Nor while it cannot be denied that the present organization of maternity and child welfare centres and the provision of free and cheap milk for expectant mothers and babes at a cost of over a million a year is a highly desirable form of maternity protection, can it be maintained seriously "that the present maternity benefits under the Insurance Acts and the Maternity and Child Welfare Act provide a greater protection than the convention."

The Government actuary has shown how the convention would affect women in this country and the costs of its adoption.

(1) Married women entitled to benefits under the convention :	
Employed women (mainly insured).	460,000
(2) Married women (belonging to industrial classes) not entitled to benefits :	
(a) Wage-earners—	
Teachers, domestic servants, etc.	40,000
(b) Not wage-earners—	
Wives of insured men	3,540,000
Others	480,000
	<hr/>
	<u>4,060,000</u>

Thus only a small proportion of the married women would be included within the provisions of the convention—about half a million. If the benefits under the convention were estimated at 20s. a week and £2 granted for medical attendance, the benefit for each woman would be £14. If, then, the convention were adopted, the cost would be about £1,250,000 in addition to the present cost for maternity insurance. If, however, the benefits were extended beyond the classes provided for in the convention to all women in the industrial classes, the cost would be about £14,000,000 per annum.

What, then, should be the policy of those who wish to see maternity really cared for adequately? The temporary difficulties, the financial situation, and the wrong views on "economy" will sooner or later be removed, and a programme should then be ready.

The immediate programme must be the ratification and application of the Washington Convention. It might prove difficult for the Government to find the necessary funds, only a million pounds, but it would be economical for the country as a whole to provide it. It is desirable in the abiding interests of its standards of health. But it should be adopted also to strengthen the influence of the International Labour Office. If the leading industrial country represented on it does not carry through its conventions and recommendations, sooner or later the smaller countries will be tempted to ignore its decisions. Great Britain should aid, and not frustrate, the growth of an International Labour Code if only because she herself is likely to gain in consequence.

But the ultimate aim must be to provide additional benefits in cash or kind during the twelve weeks and a nursing benefit after that period. Women of the working classes should be "spoiled" during that period with some of the "luxury" which is now normally denied them.

VII

SOCIAL INSURANCE AND THE FAMILY

THE question whether in schemes of social insurance cognizance should be taken of the presence of a wife and dependent children in apportioning benefits has not yet been fully faced in this country.

In the case of unemployment insurance, extra, although inadequate provision for dependants was first made in the worst days of the depression. Nor is it decided whether this is to remain a permanent feature of any revised scheme of unemployment insurance, or whether it is to be regarded as a purely temporary measure. In the case of health insurance, nothing but the inadequate maternity insurance distinguishes the benefits of the single and of the married man, whilst no provision at all is made for the illness of the wage-earner's dependants. When a workman is an invalid, disabled for life, he obtains 7s. 6d. a week whether he is unmarried and alone or married and with a wife and children dependent upon him. Under the recent Workmen's Compensation Act some extra provision is made for the dependants of those who suffer fatal accidents, but none is made for those who suffer from non-fatal accidents.

Burial insurance, being voluntary, falls into a different class, but the workman with a family who wishes to guarantee every member against a pauper's funeral must take out a policy for each separate member of the house—a very costly business.

Three observations emerge from the review of these conditions, viz. :

- (1) That our legislators have not thought out the question, whether or not additional benefits should be granted to wage-earners with dependent families as distinct from unmarried wage-earners without dependants.

- (2) That our present arrangements are anomalous, and contradictory, one policy being adopted in one case and the opposite policy in another.
- (3) That where special provision is made to-day for dependants it is ludicrously inadequate.

What should be the guiding principle in this matter? Assuming that we are to have a completed, reorganized and unified system of social insurance, is it possible and desirable to grant extended benefits to workmen with families?

Even on the strictest insurance principles, if the workman with dependants pays a higher contribution than the workman without (the employer and the State paying the same amount in respect of all workmen), there is no reason why larger benefits should not be provided in that case. But even if he does not pay extra contributions, such extended benefits may be justified on the ground that it is fair to assume that sooner or later most men marry. The essence of insurance is maintained if all workmen have a right to the extended benefits under the same conditions. Moreover, bonuses and extra benefits are quite common in insurance practice. But after all insurance must be made a useful device and not a hard taskmaster. It is to aid us in meeting our central domestic problem, the lack of security in the life of the workman's family. If necessary, the pure milk of the doctrine might be diluted if it can be proved that this will be beneficial. Certain it is that we have now the machinery, the administrative experience and the knowledge to help wage-earners with and without dependants to meet the burdens imposed by social emergencies.

Whatever the actual scheme, then, these principles must be embodied; social insurance must make provision not merely for an emergency to the workman, but also for emergencies to his dependants, and when disablement occurs to a wage-earner, provision should be made for his dependants as well as for himself. The family is the unit. That must be fully recognized in our legislation on social insurance. We shall thus have established a definite line of action which will eliminate the existing anomalies. But the adoption of this principle will involve another and a more serious anomaly. We shall then be making proper provision for families during emergencies. We shall, however, still not have recognized in our wage system itself,

or through any scheme modifying its effects, any distinction between the needs of a workman who is alone and a father with a family dependent on his income.¹ This fundamental difficulty, arising from a wage based on efficiency, and modified, if it is modified at all, on the assumption that all workmen will have an average family of five to support, is aggravated by the constant irritation which results from the existence of families better off when the wage-earner is absent from work and receiving insurance benefits than when he is pursuing his occupation. This condition frequently occurs to day when public or private relief is administered. Quite recently it constituted the crux of the Poplar problem. The practice of the Guardians was to relieve the destitute according to the needs of the whole family, and this was opposed by those who hold that relief must be given on some basis in relation to the wage standard, an amount equal to ten shillings below the remuneration of the lowest paid labourer. Such an amount, if offered to a large family, would clearly result in their slow starvation.

What the remedies are for this state of affairs lies perhaps outside the discussion of social insurance problems for the time being.² Nor can we discuss the remedy suggested in Australia, France³ and Germany, where a "social wage" or "family allowance" is made, i.e. special additional payment is made to workers with family responsibilities.

¹ For interesting accounts and discussions of a subject which is growing of increasing importance, see "The Remuneration of Women's Services," the *Economic Journal*, March, 1917; Mrs. Sidney Webb's Minority Report to the War Cabinet Committee's Report on Women in Industry, 1919; *The Meaning of Family Endowment*, by D. M. Stocks; *Equal Pay and the Family; a Proposal for the National Endowment of Motherhood*, by H. N. Brailsford, Eleanor F. Rathbone, A. Maude Royden, and others; the October, 1923, and January, 1924, Numbers of the *Monthly Labour Review* of the U.S. Department of Labour; the *Harvard Review*, March, 1924; *The Disinherited Family*, by Eleanor F. Rathbone. Edward Arnold & Co.

² It has, however, been cogently argued that the proposal of family endowment should be included within the study of social insurance.

³ In France, over 300 million francs are now paid annually through the *Caisses pour allocations familiales* to 2½ million wage-earners. It is believed that this device has tended to raise the birth-rate. (See article by Prof. Roger Picard on "Family Allowances in French Industry." *International Labour Review*, Feb. 1924.)

But a warning needs, perhaps, to be given ; nothing should be done to make it more burdensome for an employer to engage married men. His responsibility for contributions or benefits should be the same for all wage-earners of like efficiency. Otherwise it may be made to his advantage to engage only unmarried men.

Appendix I

PROPOSED SCHEMES OF SOCIAL INSURANCE.¹

Three schemes of social insurance have been outlined in recent months for adoption in this country:—Sir W. Beveridge's scheme, the Author's scheme, and Mr. T. T. Broad's table of figures.

I SIR WILLIAM BEVERIDGE'S SCHEME

The social insurance system which he advocates may be briefly summarised as follows:—

1. From 70 onwards—universal non-contributory pensions, with means limit abolished when finance allows (10s. a week).

2. Up to 70 Contributory Insurance for all employed contributors within the present scope of health insurance, in two main sections.

(a) Disablement Section (including Industrial Accidents), administered by the Ministry of Health through approved societies and insurance committees.

Sickness allowance (15s. for men and 12s. for women).

Disablement allowance (7s. 6d. a week up to the age of 65).

Medical and maternity benefits as at present.

Accident compensation, now at rate of half-wages with maximum of 30s. for total incapacity, should probably be adjusted to rates ultimately fixed for sickness and disablement generally.

(b) Unemployment and Endowment Section, administered by Ministry of Labour, through Employment Department, with co-operation of trade unions and possibly of joint association of employers and workmen.

Unemployment benefit (15s. for men and 12s. for women plus dependants' allowances).

Widows and Orphans' allowances (12s. to widow and 6s. to

¹ About a dozen schemes are being advocated for the reform of our existing system of social insurance. An analysis of three will suffice to illustrate their main features.

each child, so long as there are any children of school age ; 10s. a week to children without any parent).

Pensions from 65 to 70 to employed contributors (10s. for men, 7s. 6d. for women) and to the widows of employed contributors (7s. 6d. per week).

The rates shown in brackets are those now paid in the insurance schemes already established, or suggested as corresponding to them in the new schemes here proposed. With these rates the annual expenditure on benefits and administration would be between forty and fifty millions a year in each of the two sections of contributory insurance. The present charge for non-contributory old age pensions at 70 is about £24,000,000.¹

The financing of this proposal is dependent upon the retention of the present contributions and benefits. But the present Government has already asked for powers to increase benefits, and to lower contributions as soon as the deficiency period is passed. If, however, this scheme were adopted, it would result in some extension of our existing provisions for social insurance and would eliminate some of the anomalies. It would not enable us to do away with the Poor Law system as we know it to-day, and it would take us only a step towards a unified system of insurance.

II. THE AUTHOR'S SCHEME

Three types of schemes have been outlined and examined by the Author, the non-contributory, State, Monopolistic unified scheme ; ² the contributory State monopolistic unified scheme ; and the contributory State competitive scheme.³

A few advocate a comprehensive system of non-contributory social insurance. Like education its cost is to come from the National Exchequer and to be administered by State officers. But it is clear that no Chancellor of the Exchequer will forego some fifty or sixty millions of pounds a year that he now obtains from the contributory unemployment and health insurance stamps, and the suggestion may therefore be ruled out.

A second group advocate a contributory, national monopolistic system of social insurance. Contributions are to be made as now by the State, the employers and the employees, but the State alone is to administer through its social insurance offices, i.e. the employment exchanges modified for the purpose. This system involves the elimination of the "Approved Societies" and of the Insurance Companies from all social insurance business. Of course, this raises political questions, and the possibility of payment of compensation, prickly subjects for any Government.

¹ *Insurance for All and Everything*, pp. 35 and 36.

² See *Insurance by Industry Examined*, Ch. V.

³ See Essay III above.

A third proposal points to the extension of the activities of the employment exchanges as the proper machinery to administer unemployment insurance, old age and widows' pensions, i.e. all compulsory insurance schemes as well as the voluntary organization of burial, workmen's compensation and health insurance, for those workmen and employers who elect to insure through their agency. This third scheme alone of these three, may be regarded as being in the realm of practical politics.

Its main features are briefly as follows:—It will have two sections, one dealing with compulsory and the other with voluntary insurance. The monopolistic control of certain schemes of compulsory insurance will be effected through the employment exchanges, converted into social insurance offices, with the necessary appropriate machinery for testing the *bona fides* of applicants for each emergency covered. These are to include unemployment, old-age, widowhood, and orphanhood. The voluntary insurance department will cover industrial accidents and diseases, the ill-health of those who wish to insure through the State machinery, and burial insurance. The whole system should be supervised by advisory committees of employers and workpeople. A special section should be instituted for preventing hazards and for rehabilitating those who suffer accidents.

Employers and workpeople, when they are agreed, will thus be able to obtain all their social insurance through one organization. One contribution on one card could then be developed for all these emergencies. Unity of administration and unity of contribution should be accompanied by a greater unity of benefits.

Whatever the emergency may be, the financial suffering, the exhaustion of saving and the terror of destitution confront the workman's family, whether the immediate emergency is unemployment, the burial of a member of the family, widowhood, old age, an industrial accident, or illness, so the principle of compulsory insurance should be applied to all these social emergencies, leaving to the individual in some cases the choice which organization shall carry his insurance. Also, the grading of benefits in relation to family numbers that is now introduced into our employment and industrial accident insurance should run through the whole system. Benefits should be proportionate to the number of dependants which the breadwinner has. They should be paid during the whole period of emergency so that the Poor Law provision may be eliminated. Later, benefits and contributions should be graded also according to the wage groups into which all workpeople would be placed, so that benefits for all are nearly as great as normal wages. Contributions should be made in the following ratios:—One half by the State, one quarter by the insured people, and one quarter by the employer.

III. MR. BROAD'S TABLE OF FIGURES

Mr. T. T. Broad, a former Member of Parliament, has been engaged in developing a proposal for the extension of social insurance, which has now reached the stage of a Private Member's Bill, of which Sir J. A. R. Marriott, M.P., is in charge. It has already received the support of a number of members of Parliament. A brief critical examination of the proposal and its implications, although they will involve us in some repetition, has been attempted.

Mr. Broad's proposal is submitted in the form of a table of figures, together with a list of brief notes explaining and recommending it.

ending it.

INCOME.						Present contributions for Health and Unemployment Insurances		
						£	s.	d.
1s. per week from	4,500,000	Women	.	.		11,700,000	0	11
1s. 6d. „	12,500,000	Men	.	.		50,000,000	1	2
2s. 6d. „		Employers	.	.		110,500,000	1	3
1s. 0d. „		State	.	.		44,200,000	0	9
						£216,400,000		
1975. Reserve Fund, £3,000,000,000 at 4 %						120,000,000		
						£336,400,000		
EXPENDITURE.								
		Beneficiaries.	Benefits.			Cost in	Cost in	
		Per week.	Women.	Men.		1925.	1975.	
			Per week.	Per week.				
			s.	d.	s.	d.		
1. Sickness, Dis-	W. 100,000	}	20	0	30	0	28,600,000	28,600,000
ablement, etc.	M. 300,000							
2. Unemployment	W. 100,000	}	20	0	30	0	32,500,000	32,500,000
	M. 350,000							
		1925.						
3. Pensions at 63	W. 100,000	}	15	0	25	0	62,400,000	182,000,000
	M. 900,000							
		1975.						
In 1930 rising	W. 500,000	}	20	0	30	0		
to	M. 2,000,000							
4. Widows ..	1925 50,000	}	—		12	6	1,625,000	32,500,000
	1975 1,000,000							
5. Children to 15	1925 100,000	}	—		5	0	1,300,000	13,000,000
	1975 1,000,000							
6. Medical Benefits as now							12,000,000	12,000,000
7. Place to Reserve Fund, £60,000,000 per ann. for 50 years							60,000,000	—
8. Cost of Administration							10,000,000	15,000,000
9. Surplus ..							7,975,000	—
						216,400,000	315,600,000	

IMPORTANT FEATURES OF MR. BROAD'S SCHEME.

1. 1,000,000 Men and Women over 63 can be retired at once on Pensions and their places be taken by younger workers.
2. Sick Pay. Increased for Men from 15s. to 30s., and for Women from 12s. to 20s. p.w.
3. Unemployment Pay. Increased for Men from 15s. to 30s., and for Women from 12s. to 20s. p.w.
4. In 1930 and after Pensions to be 30s. p.w. for Men and 20s. p.w. for Women.
5. Pensions of 12s. 6d. p.w. for all Widows without regard to age or cause of husband's death.
6. Pensions of 5s. p.w. for all Children (fatherless) up to 15 years of age.
7. Place to a Reserve Fund £60,000,000 per ann. for 50 years till = £3,000,000,000.
8. *Administration.* Use present machinery.
 - A. Sickness, &c. Pay through Approved Societies as now.
 - B. Unemployment. Ministry of Labour as now.
 - Pensions. Ministry of Labour. Pay through Post Offices.
 - D. Medical Benefits, &c., as now.
9. Treasury (State) to act as Banker.
10. Ending of Poor Law System. No worker, his wife or child need seek Poor Law Relief.
11. Present Old Age Pensions will gradually end.
12. Contributions from 3 sources. (1) Workers, (2) Employers, (3) State.
13. Scheme contains benefits to satisfy the reasonable hopes of workers for security for themselves and their families.
14. Scheme contains all the full legal obligations of employers.
15. Certain industries (as Coal Mining) can arrange, if owners will increase contributions, for all workers over 60 to retire on Pensions.
16. Schemes give maximum of benefits with minimum of costs.
17. Each year about 120,000 (or more) workers can retire on pensions and their vacant posts provide places for our boys and girls. By retiring the aged the unemployment problem is solved.

Mr. Broad's figures are offered in place of a fully worked out scheme. There is perhaps the politician's eagerness to present as narrow a target for criticism as possible. There is the further justification that too many administrative details may befog the main issues. Moreover not very many people are eager to follow discussions on the objects or underlying ideas or principles of a scheme, but the same people will be impressed by a definite group of figures, which give it an air of finality. It is thus better for propaganda purposes.

But there are obvious objections to such a method.

Two fundamental objections to the *form* in which the proposal is made may be urged. The actuarial calculations involved in a problem of this kind are so complicated, the factors to be examined are so many and changing that no estimate but that of the Government actuary is likely to be accepted as having any value at all. The calculation of the costs of this particular proposal would take his Department months of work, whilst no other individual Government Department would even attempt it. The figures of the proposal suffer very gravely from

the consideration that until they receive official endorsement it will be difficult to regard them as having any significance at all. Even worse perhaps is the fact that they carry no evidence of their origin. They may have been calculated on the basis of information contained in a number of Departmental Reports. If so there is no reference to them, and the friendly critic is unable to check them. In a matter of this kind it is not customary for an author to expect that a financial proposal of such a magnitude, involving thousands of millions of pounds, will be accepted on his word.

The other objection to the form of the proposal arises from the fact that an alteration in any one item involves a complete revision of all the others. The scheme is presented as a whole and must be swallowed presumably as a whole. It is indivisible. What value is there in it, if we decide that we desire an extension of social insurance without accepting the proposed increased contributions, or the proposed increased benefits? Supposing we decide that we will experiment with a scheme which involves an expenditure of say only £200 millions a year or say of £300 million. Surely, the whole "scheme" then becomes valueless. Of course, other valuations can be made, but what are the peculiar "Broad" features that are to be included?

It is a fact that what has been called the "Broad" scheme has already appeared as five different tables of figures,¹ and every modification alas will involve another revision. Surely the table of figures should be the final stage in a scheme of social insurance and not the first, and, indeed, the only form of a scheme.

Let us note but a few of the difficulties which await the actuary in his calculations of the cost of an extended scheme of insurance on the lines suggested. It is assumed that seventeen millions of workpeople with their employers will pay contributions, but no allowance is made for the non-payment of contributions by those who are receiving benefits. How much will be lost in contributions because of this consideration? A scheme of continuous benefits is suggested, i.e. they are not to be limited to any particular period. But how much will this cost in respect of each of the emergencies covered? We have no body of experience to guide us. Estimates involving a severe test of the actuary's science will have to be made. With respect to some emergencies, unemployment, widowhood, and orphanhood, our knowledge is far from satisfactory. Again estimates will have to guide us.

It is clear that Mr. Broad's figures are very rough and have not taken account even of some of the more obvious considera-

¹ An early form was examined in *Insurance by Industry Examined*, Chap. V.

tions. If we discuss them further, it is because they are being taken seriously by some who, one would have expected, would have been more critical.

Even if the scheme then is denied the services of a good actuary, it cannot be let off for obvious levity with figures.

Let us note two instances.

The expenditure allowed for unemployment in 1925 is £32,500,000. No responsible person has estimated that the average number of unemployed next year would be below half a million. It is more likely to be nearer a million. The number of widows to be provided for in 1925 by this "scheme" is to be 50,000. We have to-day perhaps over a million. Doubtless these figures could be justified if it were said that all those not provided for by way of insurance would still come under the Poor Law, or some other scheme of insurance. But that is precisely what we cannot do. We are promised that the Poor Law is to come to an end. It is categorically stated that, "No worker, his wife, or child need seek Poor Law relief." Also, as this is an "All-in" scheme, we cannot suppose that there are still to remain outside it parallel schemes of insurance.

Let us examine a little more closely the claim that the Poor Law system is to be brought to an end. What is to be done with the unfit and the unemployable, the gipsy and the poacher, the "old clo's" man and the pea-nut merchant? What is to be done for those who find the 30s. benefit which is promised them inadequate for the maintenance of a large family? No grading of benefits in relation to the size of the family is contemplated, so that whilst those with no dependants may be well provided for, those with dependants will still be in distress during periods of emergency, and will still need extra help. If Mr. Broad's scheme were adopted in its entirety some form of additional relief would therefore be necessary not only during periods of unforeseen crises, but as a normal feature to supplement benefits.

Like the other two proposals, that of Sir William Beveridge and of the Author, this one involves a very considerable extension in social insurance, by way of increased benefits, and therefore may rightly be termed "A Proposal for the Extension of Social Insurance." But it does not merit the names "All-in scheme" or a comprehensive or unified scheme. It clearly is not an "All-in" scheme, since it definitely leaves out provision for burial, for pensions for existing widows and orphans, for the wives and children of insured members, and for non-industrial accidents. It is not a comprehensive scheme, since additional arrangements will have to be made by the workman and the State for the contingencies left uncovered. Nor does it contain a suggestion on the supremely important subject of unification.

It does not even pretend to help in any way in organizing or co-ordinating the existing agencies of administration. It has not a word on the costliness of our present machinery, the medley of institutions, the anomalies, the contradictions, the inefficiency and the overlapping which exist to-day. Mr. Broad lamely proposes that the extended schemes shall be administered through the present machinery. The effect of such a policy would be to strengthen unsocial private organizations and increase their funds and profits at the public expense. It might indeed increase the chaos of administration by increasing the number of bodies of this kind.

The supreme weakness in this ill-thought-out proposal is the attempted ignoring of the central difficulties which surround administration. Nothing is said on how to link up the different branches of insurance. No advice is offered on the question of graded benefits, whether to grade according to the number of dependants, or according to the wage rate, or to both! It is clear now that the Poor Law will still continue, that employers will still have to go on paying their contributions to insurance companies in respect of industrial accidents, and that they will still be taxed for pensions for widows and orphans not provided for in the so-called "All-in" scheme. Moreover, there is to be no gain in administrative expenses, since all the present machinery will continue. Mr. Broad proposes, however, an additional payment of 1s. 3d. by each employer in respect of each workman. This is a question of expediency on which opinions may differ. But two claims made in relation to this suggestion must be repulsed, that employers will pay it gladly and that they will save on other costs, e.g. on Poor Law and on Workmen's Compensation. Employers are much more likely to resent and to oppose violently the increased charges. We need quote the comment of only one employer on this scheme published in the journal where it is being most advocated. He urges that ¹ "it is a delusion and an extravagant way of obtaining the money required" to tax the employer and states that "my submission is that the true economic method of contributing to the cost of National Insurance would be to have two contributors only, the workpeople and the State." This quotation is sufficient to show that the view that this scheme will be eagerly embraced by employers is a serious mistake.

In spite of the very definite increased costs of insurance, since there are to be no administrative economies effected, and benefits are to be increased, Sir J. A. R. Marriott, M.P., the trumpeter of the Broad scheme, claims that, "After all, the essential point is to devise a scheme which, while providing against all the con-

¹ J. Redman Ormerod, the *Spectator*, March 25, 1924.

tingencies of industrial life, shall at once diminish the present burden upon industry and also get rid of the difficulties connected with Old Age Pensions and with the relief of pauperism," and he claims that the Broad proposal does this!

Let us note a final objection to this scheme, that relating to the method proposed for dealing with reserves. Not only is the present generation called upon to pay a largely increased amount in social insurance, but the scheme imposes an additional burden of some sixty million pounds a year annually for the next fifty years to provide for the insured workpeople of the future. The crude suggestion that a reserve of £3,000 million should be built up, could only be made by those ignorant of the history of insurance reserves. It is a dangerous and wasteful device which will be at the mercy of every impecunious Chancellor of the Exchequer. Few Governments could resist the temptation of lifting the reserve during the emergency of a war. A Socialist Government might be persuaded by its followers that there was available a large fund for experiments in Nationalization. Indeed on the Continent the Socialist Parties all stand for the device of large reserves for this very reason. The French Government has frequently rifled the reserves of social insurance funds. The German Government has had to face the grave problem of the dwindling value of its social insurance reserves, owing to the policy of inflation. Even in Great Britain the reserves of Approved Societies are unsatisfactory features of the Health Insurance Scheme.

Besides, Mr. Broad does not seem to be aware of the fact that a Government scheme has other ways of organizing its finances of social insurance without building up large reserves.

The chief claim made on behalf of this scheme of social insurance is not its merit as a system of insurance, but rather its worth as a device for solving the existing unemployment problem. Mr. Broad writes:—"1,000,000 men and women over 63 can be retired at once on pensions, and their place be taken by younger workers." We are not told that to retire a workman at 25s. a week, who may be earning two or three pounds will create an outcry. Not all people over 63 wish to retire. Nor is it certain that the proposed transformation can take place quite as soon as is suggested. There will have to be a series of slow re-adjustments. The more experienced workpeople will perhaps be advanced to other work and room left for the younger people. Nor is it clear what effects on the introduction of new machinery, or on the internal organization of establishments would be produced by the exodus of a large body of old workpeople. It seems certain that it would take some time to adjust industry to the withdrawal of all workpeople over 63. It should however be conceded that the

revival of this old proposal merits further investigation, even if it is decided that nothing else in the Broad scheme has any merit.

Our conclusion must be that apart from pointing to the need of extension of benefits and of the emergencies covered, the Broad figures have no authority behind them, and are not very helpful. Indeed in so far as they hint at any scheme, that scheme is wholly objectionable.

Appendix II

HEALTH INSURANCE OF SCHOOLCHILDREN IN THE CANTONS OF VAUD AND GENEVA

The cantons of Vaud and Geneva have instituted schemes of health insurance for schoolchildren. The former is somewhat longer established and a better scheme actuarially.

Insurance of schoolchildren, which was introduced in the canton of Vaud in 1918, at present covers 48,634 children. Insurance is effected through the Vaudois Cantonal Children's Health Insurance Society, which is a mutual benefit society under cantonal supervision.

Under a Decree of the Council of State, dated September 29, 1918, providing for the compulsory insurance of schoolchildren, all children of compulsory school attendance age must be insured in the Cantonal Society.

The Society is primarily a health and prophylactic institution. It defrays the cost of all medical attendance, medicines and hospital treatment necessitated by the state of health of the children. Medical attendance includes consultation at the house of the doctor, visits at the home of the insured child, and operations, dressings, and surgical treatment.

The funds of the Society are derived from the contributions of the children insured (6 francs per annum), a subsidy from the Confederation, a cantonal subsidy, and donations and legacies.

Its organs are the Administrative Council, the Committee of Management, and a Director. They are assisted in their work by a consulting physician, a consulting pharmacist, and an actuary.

According to the annual report for the year 1921-22, which has recently been published, the number of children who were in receipt of benefit during the year was 22,727, or 46 per cent. of the number insured, as compared with 49.4 per cent. in the previous year. The average expenditure per insured person on medical attendance and medicines decreased from 18.49 francs in 1920-1 to 14.50 francs in 1921-2.

The benefits derived from the compulsory insurance of school-children are considerable. It has greatly reduced the proportion of children who otherwise would not receive proper medical treatment. It interests doctors and the public in problems of social health, and provides a fertile field for observation. It prevents a large number of children from evading health supervision, and ensures treatment of apparently mild diseases which might otherwise have had serious consequences.

In 1921-2 the total expenditure of the Vaudois Cantonal Children's Health Insurance Society amounted to 705,000 francs, the net deficit being 19,000 francs, as compared with 182,000 francs in the previous year. There is every reason to believe that this marked improvement in the financial situation will continue during the next few years.

The movement in favour of the protection of childhood by the creation of health services and the organization of holiday camps furnishes yet another proof of the beneficial results of the introduction of the health insurance of schoolchildren.¹

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